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## **MID-TERM EVALUATION REPORT**

### **USAID/GHANA TRADE AND INVESTMENT PROGRAM (641-0125) AND PROJECT (641-0126)**

**Prepared for:**

**USAID/Ghana**

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## ACRONYMS

ABLE	American Business Linkage Enterprise
AGI	Association of Ghanaian Exporters
APDF	Africa Project Development Facility
API	Assessment of Program Impact
Astek	Astek Fruit Processing Limited/Astek Water Company Limited
Asycuda	Automated System for Customs Data
ATA/G	Aid-to-Artisans/Ghana
ATA/US	Aid-to-Artisans/United States
BOG	Bank of Ghana
Cedi	Ghanaian unit of currency
CEDIS	Customs Export Data Information System
CEPA	Center for Policy Analysis
CEPS	Customs, Excise and Preventive Service
CFA Franc	Communauté Française d'Afrique Franc
CINDY	Costa Rican export promotion center supported by USAID
DDB	Duty Drawback Bureau
ECOWAS	Economic Community of West African States
EIR(s)	Environmental Impact Review(s)
EMEMP	Environmental Monitoring, Evaluation and Mitigation Plan
EPA	Environmental Protection Agency
EPC	Environmental Protection Council
EXCEL	Export Credit Leverage System
FAGE	Federation of Associations of Ghanaian Exporters
FIAS	Financial Investment Advisory Service
FPIB	Forest Products Inspection Bureau
GAB	Ghana Associations of Bankers
GATT	General Agreement of Tariffs and Trade
GAWE	Ghana Association of Women Exporters
GDP	Gross Domestic Product
GEA	Ghana Employers Association
GEPC	Ghana Export Promotion Council
GIC	Ghana Investment Corporation
GIPC	Ghana Investment Promotion Centre
GIS	Geographic Information System
GNCC	Ghana National Chamber of Commerce
GNP	Gross National Product
GOG	Government of Ghana
GSS	Ghana Statistical Service
HIID	Harvard Institute for International Development
HRDA	Human Resources Development Assistance project
HVH	High Value Horticulture Limited
IEE	Initial Environmental Examination
IESC	International Executive Service Corps
IFC	International Finance Corporation
IMF	International Monetary Fund
IPS	Investment Promotion Strategy
M&E	Monitoring and evaluation

<b>MFEP</b>	<b>Ministry of Finance and Economic Planning</b>
<b>MOA</b>	<b>Ministry of Agriculture</b>
<b>MOTI</b>	<b>Ministry of Trade and Industry</b>
<b>NEIS</b>	<b>National Environmental Information System</b>
<b>NPA</b>	<b>Non-Project Assistance</b>
<b>NTE</b>	<b>Non-Traditional Export</b>
<b>PAAD</b>	<b>Program Assistance Approval Document</b>
<b>PACD</b>	<b>Project Activity Completion Date</b>
<b>PEED</b>	<b>Private Enterprise and Export Development Project</b>
<b>PEF</b>	<b>Private Enterprise Foundation</b>
<b>PFI</b>	<b>Participating financial institutions</b>
<b>REDSO/WCA</b>	<b>Regional Economic Development Services Office for West and Central Africa of USAID in Abidjan, Côte d'Ivoire</b>
<b>SADs</b>	<b>Single Administrative Documents</b>
<b>SPEG</b>	<b>Seafreight Pineapples Exporters Group</b>
<b>TAPSO</b>	<b>Trade, Agriculture and Private Sector Office of USAID/Ghana</b>
<b>TFEA</b>	<b>Tropical Forest Environmental Assessment</b>
<b>TIMU</b>	<b>Trade and Investment Management Unit</b>
<b>TIOC</b>	<b>Trade and Investment Oversight Committee</b>
<b>TIP</b>	<b>Trade and Investment Program</b>
<b>TPU</b>	<b>Trade Policy Unit</b>
<b>USAID</b>	<b>United States Agency for International Development</b>
<b>USAID/Ghana</b>	<b>United States Agency for International Development's Mission in Accra, Ghana</b>
<b>VE(s)</b>	<b>Volunteer Executive(s) of IESC</b>
<b>VGG</b>	<b>Volta Garments of Ghana Limited</b>
<b>World Bank</b>	<b>International Bank for Reconstruction and Development</b>

## **EXECUTIVE SUMMARY**

### **PROGRAM AND PROJECT DESCRIPTION**

The United States Agency for International Development (USAID) Trade and Investment Program (TIP) in Ghana is an \$80 million initiative designed to address an array of constraints limiting private-sector investment in the non-traditional export (NTE) sector. TIP has two objectives: to improve the enabling environment within which private sector export firms must operate, and to improve the capacity of participating firms to export.

TIP uses two assistance mechanisms: a \$20 million project component (641-0126) and a non-project assistance component (641-0125) that provides a cash grant of up to \$60 million, subject to specific conditionality requirements.

### **MAJOR ACHIEVEMENTS AND REMAINING CONSTRAINTS**

#### **Development of Technical Assistance Models for the NTE Sector**

TIP was designed to implement and test a number of technical assistance models to promote NTE expansion in Ghana. While it is too early to make any definitive judgements about the relative success of the models tested, the different approaches have allowed TIP to reach a broad spectrum of existing and potential Ghanaian exporters with well-tailored assistance interventions in a remarkably brief period.

#### **Development of a Core of Export Businesses**

TIP interventions under the private sector component has created a number of pilot activities, some of which appear ready for rapid growth and expansion. It is expected that successful pioneering firms will set examples for others to follow, by making them aware of NTE opportunities and showing them ways to earn a profit.

#### **Improved Capacity to Market NTEs**

The project has strengthened linkages to the global market for timely market information and price discovery, has improved market facilities and product handling capability, and has increased foreign buyers' knowledge of Ghanaian NTE products.

#### **Improved Ability to Produce to Export Market Requirements**

TIP contractors and grantees have made significant progress in increasing product availability and improving the productivity of plant operations; in encouraging innovations in product development; in providing effective technical assistance to improve product quality and timeliness; and in improving sourcing of materials, equipment and services.

#### **Increased Capacity to Obtain Financing**

TIP interventions have generally been less successful at mitigating the commercial financial constraints on emerging export firms. It must, however, be noted that many NTE companies are expanding export sales -- in some cases at rates of 50 to 100 percent. Thus, while the absence of formal credit is an

important constraint for exporters, such a constraint should not be overstated, particularly in relation to the many other infrastructural and technological constraints facing the NTE sector.

### **Improved Services by Trade and Professional Associations**

TIP has been instrumental in establishing four new trade and professional private sector entities. These organizations have been established to provide a wide range of services, including advocacy, management and technical training, market information, and marketing services. At present, these organizations are too new to be fairly judged as effective advocates or as technical resources for solving sector-specific problems. However, they appear to have potential for providing useful services to their members.

### **Socioeconomic Impact**

TIP activities have had a positive socioeconomic impact on the local economy in terms of employment and increased income. This conclusion does not support the perception that a small number of local NTE firms endowed with financial, technological, managerial, and marketing advantages have monopolized TIP assistance, with no beneficial impact on employment and/or the most disadvantaged segments of the population.

### **Broadening and Deepening the Policy Dialogue between the Public and Private Sectors.**

Two years into the program, TIP has made considerable progress in broadening the dialogue between the public and private sectors. Progress has been achieved through successful implementation of a well-defined action plan to improve the policy framework governing non-traditional exports, and reduce the regulatory and administrative transaction costs. Enactment of the Export and Import Law is one of the most important achievements. The regulatory improvements brought about by the new law simplify exports of non-traditional products well beyond the original design of the TIP program.

In addition, adoption of the regulatory improvements that have occurred through the Import and Export Law or the Ghana Investment Promotion Centre Act of September 1994 has been, in some cases, slower than it would have been under alternative arrangements. However, thus adopted, the regulatory improvements have offered an extremely significant advantage in that they have been introduced through a law and, therefore, have been subject to thorough public scrutiny in parliamentary committee meetings. The same changes could have indeed been mandated more expeditiously through administrative decrees issued under existing laws. However, policy measures introduced through administrative decrees are unquestionably less sustainable, as they can be easily overturned.

### **Success of the TIOC/TIMU Model**

Overall program coordination is accomplished through the inter-governmental Trade and Investment Oversight Committee (TIOC). Decisions and day-to-day activities are implemented by the Trade and Investment Management Unit (TIMU). Several factors have contributed to the large success of the TIOC/TIMU model. First, TIOC membership has included high-level representatives from key government agencies, who have played a critical role in the implementation of TIP's policy reform agenda. Second, USAID/Ghana has played an active role in monitoring program activities either directly through its membership in TIOC or indirectly through its technical assistance advisor to TIMU. Third, TIMU played a catalytic role in implementing many of the proposed reforms by keeping TIOC abreast of progress, identifying remaining constraints, and recommending follow-up actions. The Trade Policy Unit (TPU) has also been instrumental in building a stronger consensus and in stimulating a wider acceptance of the proposed policy interventions.

## **The Monitoring and Evaluation System**

If the current monitoring and evaluation system for TIP is assessed against its initial objectives, it must be concluded that the program has been largely adequate. Reporting has been satisfactory on the public sector side, as well as with most of the contractors and grantees.

## **Program and Project Implementation and Coordination**

TIP is a complex undertaking in terms of both the number of institutions involved and the range of activities carried out. For this reason, it is remarkable that the program has progressed without any major difficulties or disruptions. Nevertheless, interviews with TIP participants indicate that further improvements can be achieved through a concerted effort by all parties toward better communication and coordination.

## **MAJOR RECOMMENDATIONS**

### **Market Development**

TIP contractors and grantees should intensify their efforts to strengthen linkages with importing firms in destination countries.

### **Strengthening Private Sector Exporter Associations**

It is recommended that additional resources be devoted to assisting the Federation of Associations of Ghanaian Exporters (FAGE), the Ghana Association of Women Exporters (GAWE), and major exporter associations (e.g., yams, other assorted food products, and horticultural products) in institutionalizing their functions.

### **Strengthening Producer/Exporter Organizations**

TIP should continue its technical assistance efforts to firmly establish the Seafreight Pineapples Exporters Group (SPEG) as a model for-profit, self-sustaining, producer-level organization by TIP's end.

### **Strengthening Outgrower Schemes**

More intensive technical assistance to companies that have concentrated on commodities produced through outgrower schemes would create new opportunities for small farmers, thus offering a high social and economic payoff. Technical assistance could be provided to similar arrangements in non-agricultural exports, such as handicrafts, garments and furniture.

### **Continue Present Efforts to Reduce Transaction Costs**

It is recommended that TIMU continue to pay direct attention to removing remaining duplicative, unnecessary, or outmoded regulations.

### **Export Finance**

It is recommended to examine some of the options suggested during the April 1995 export finance roundtable; to investigate how PEED lending terms might be modified to better accommodate non-



traditional exports; and to explore the suitability of the various other solutions that have been recommended in TIP reports devoted to the export finance issue.

#### **Closer Collaboration with Other Donors and Donor Agencies**

TIMU and TPU have been less successful in collaborating with other donors and donor agencies. It must, however, be noted that USAID/Ghana has made recommendations to make TIOC a permanent body with broader membership. Such efforts will be a major step toward institutionalizing TIOC while ensuring closer collaboration with other donors and donor agencies.

#### **Capturing and Quantifying TIP Multiplier Effects**

It is recommended that TPU conduct a study on the multiplier effects of TIP assistance to the NTE sector.

#### **Semi-Annual Review and Planning Workshops**

It is recommended that a semi-annual review and planning workshop be conducted through the end of TIP. Such a collaborative review and planning process would develop a greater sense of ownership and commitment among program participants, a broader shared vision, and increased integration of project components. It is recommended that the first review and planning workshop be conducted soon after completion of this mid-term evaluation.

## **CHAPTER 1 INTRODUCTION**

### **1.1 PROGRAM AND PROJECT DESCRIPTION**

#### **1.1.1 Goal, Purpose and Objectives**

The United States Agency for International Development (USAID) Trade and Investment Program (TIP) in Ghana is an \$80 million initiative designed to address an array of constraints limiting private sector investments and production for export. The *goal* of TIP is to increase sustainable per capita gross domestic product (GDP). The *purpose* of TIP assistance is to increase private sector non-traditional exports (NTEs). TIP has two *objectives*: (1) to improve the enabling environment within which private sector export firms must operate, and (2) to improve the capacity of participating firms to export.

To accomplish the stated goal, purpose and sub-objectives of TIP, USAID assistance supports a public sector component and a private sector component. TIP uses two assistance mechanisms: a \$20 million project component (641-0126) and a non-project assistance component (641-0125) which provides a cash grant of up to \$60 million, subject to the Government of Ghana (GOG) meeting certain program conditionalities over the life of the program.

Under TIP's project component, assistance is provided to GOG ministries and agencies to accomplish the policy reforms needed to meet the conditionality requirements set forth during the TIP design and to meet a number of program impact indicators. The private sector project component provides direct technical assistance, training and commodity support to Ghanaian private sector firms. This assistance is directed at increasing firm productivity, marketing skills and investment capacity in the NTE sector. Additionally, project assistance supports a number of professional and trade associations in order to help them become effective advocacy and service organizations for their members.

#### **1.1.2 Anticipated TIP Outputs**

It is anticipated that TIP will achieve its goal and purpose by improving the enabling environment for export firms and through improving the capacities of local firms to export.

##### **1.1.2.1 Improving the Enabling Environment**

TIP focuses on improving the enabling environment in three areas. It seeks: (1) to improve the legal environment and procedural transparency; (2) to reduce regulatory and administrative transaction costs for exporting firms; and (3) to provide support for the improvement of public sector export services.

The TIP project component provides assistance to the public sector primarily through a technical assistance contract with Sigma One Corporation. Long- and short-term technical assistance personnel under this contract serve as advisors in the Trade and Investment Unit (TIMU) and the Trade Policy Unit (TPU) of the Ministry of Trade and Industry (MOTI). Additional assistance is provided to the Ghana Export Promotion Council (GEPC). Finally, the Financial Investment Advisory Service (FIAS) provides assistance to the Ghana Investment Promotion Centre (GIPC) in developing and executing its investment promotion strategies.

#### **1.1.2.2 Improving the Capacities of Firms to Export**

TIP seeks to improve the capacities of firms to export from Ghana by strengthening four principal skill areas. These are:

- improving local firms' knowledge of international NTE markets and potential buyers' knowledge of Ghana's NTE products;
- improving firms' abilities to produce in conformance with export market requirements;
- improving firms' capacities to secure financing through development of their skills in formulating and presenting bankable project proposals; and
- improving the services provided by trade and professional associations to their membership firms in order to support increased NTE production, marketing, sales and investment.

#### **1.1.3 TIP End-of-Program Status and Program Indicators**

TIP Program Grant and Project Grant Agreements were signed on 30 September 1992. The Program Activities Completion Date (PACD) is 30 June 1997. By this date, it is anticipated that TIP will have:

- created 60,000 new jobs in the NTE;
- increased the nominal value of non-traditional exports from Ghana to \$250 million from a base of \$68.4 million in 1992; and
- increased the value of total direct foreign investment to \$500 million from a base of \$170 million in 1992.

The TIP Strategic Objective, program outcomes and indicators in USAID/Ghana's Country Strategy are:

**Strategic Objective — increase private sector non-traditional exports.**

**Indicators —** The dollar value will be \$250 million by 1997. Non-traditional exports will be 16.5 percent of total exports by 1997.

#### **Indicators for Program Outcome 1.2**

- Mean number of days reported to register a firm with the Registrar General will be five days by 1997.
- Mean number of days reported to register a firm with the GIPC will be five days by 1997.
- Mean number of days required to clear NTE export shipments will be 2.5 days by 1997.
- Value of duty relief for NTE transactions will be seven percent of total value of NTEs by 1997.
- Twenty percent of NTE exporters will use the duty relief system by 1997.

### **Indicators for Program Outcome 1.3**

- 1,500 new exporters with business plans that are exporting by 1997.
- 1,100 exporters assisted by USAID increase the value of their exports by 20 percent per year by 1997.
- Dollar value of exports from assisted firms will be \$175 million by 1997.
- Dollar value of additional investment from assisted firms will be \$20 million per year by 1997.

### **1.2 EVALUATION METHODOLOGY**

The mid-term evaluation was conducted in Ghana between 26 June and 26 July 1995. One of the three team members concentrated his efforts on public sector activities directed at improving the enabling environment for private sector exporters. The second team member concentrated his efforts on TIP activities directed at improving the capacity of private sector firms and trade organizations. The third team member concentrated his efforts on general and environmental program monitoring and evaluation.

Two principal methods were used to collect the information needed for the mid-term evaluation. Team members conducted a comprehensive review of: USAID program records, annual workplans and subsequent performance reports from USAID contractors and grantees; documents and reports from GOG ministries and agencies; information from other donor agencies; and, in some cases, company profiles and other information provided by participating private sector firms. This documentary review was complemented by extensive interviews during which team members had in-depth working sessions with major TIP participants from both the public and private sectors. In addition, a large number of visits were made to the offices and work sites of private sector firms in the greater Accra area and in and around Kumasi. Finally, the team visited export facilities at the Accra International Airport and the major seaport of Tema.

To ensure comprehensiveness of approach and consistency in analysis and reporting, team members maintained a continuous dialogue through daily team debriefings. In most instances, at least two team members were present in meetings with representatives of major GOG participating ministries and agencies, TIP contractors and grantees, and USAID Mission personnel. Finally, the evaluation team met with the USAID TIP Project Officer approximately once each week to discuss progress in implementation of the evaluation and to ensure that issues of concern to the Mission were being addressed.

The evaluation team submitted its draft report to USAID/Ghana on 21 July 1995. After Mission review of the draft report, a debriefing was held on 25 July 1995 to present the team's findings, conclusions and recommendations and to receive Mission comments on the draft report.

Completed in 1995 in the United States, this final report incorporates all comments made on the draft mid-term evaluation report by USAID/Ghana as well as by TIP contractors and grantees.

## **CHAPTER 2 IMPROVING THE ENABLING ENVIRONMENT**

### **2.1 IMPROVING THE POLICY FRAMEWORK AND REDUCING REGULATORY AND ADMINISTRATIVE TRANSACTION COSTS**

#### **2.1.1 Design**

To improve the enabling environment for NTE export firms, TIP identified two key areas of intervention: improving the policy framework, including improved legal environment and transparency and improved trade regime and duty-relief system; and reducing regulatory and administrative transaction costs. It is assumed that administrative and regulatory bottlenecks represent an equally severe impediment to NTE growth as policy rigidities and distortions.

A series of conditionalities are used throughout the life of the program to initiate a number of specific actions, such as review of commercial codes and business regulations, or to ensure effective implementation of major policy and regulatory changes, such as those related to simplification of the duty drawback system or streamlining of export processing and documentation.

Overall program coordination is accomplished through the inter-governmental Trade and Investment Oversight Committee (TIOC), chaired jointly by the Deputy Minister for Trade and Industry and the Deputy Minister for Finance and Economic Planning. Other members of TIOC are high-level representatives from USAID/Ghana, the Ghana Export Promotion Council, the Ghana Investment Promotion Centre, a representative of FAGE, and a number of *ad hoc* members from several ministries and agencies. TIOC meets approximately every two months.

Decisions and day-to-day activities are implemented by TIMU, located at MOTI. Functioning as a secretariat to TIOC, TIMU is empowered to implement all TIOC's decisions, and to interact directly with all ministries and organizations relevant to the implementation of such decisions.

#### **2.1.2 Achievements**

##### **2.1.2.1 Improving the Policy Framework**

TIP's interventions to improve the policy framework for non-traditional exports have focused on improving the legal environment and transparency and on improving the trade regime and duty-relief system. Significant progress has been achieved since initiation of the reform program in 1993. Three areas of success merit particular mention: passing of a new export and import bill; establishment of a new investment code; establishment of a duty drawback system; and publication of laws, regulations and procedures to reduce arbitrary exercise of discretionary authority.

The Export and Import Bill was approved by Parliament on July 7, 1995. Presidential signature is expected by the end of July, 1995. Publication in the Official Gazette is a requirement for fulfillment of Tranche 3 conditionality. The new bill eliminates the foreign-currency repatriation requirement (Form A-2) for non-traditional exports, introduces a simplified export declaration form, and expands the coverage of non-traditional exports.

The Ghana Investment Promotion Centre (GIPC) Act was promulgated in September 1994. The main features of the GIPC Act are the reestablishment of GIPC as an organization dedicated to investment facilitation and promotion and playing a service-oriented role, emphasizing facilitation rather than

management. In addition, the GIPC extends strengthened investment guarantees and a transparent incentive scheme to investors.

The duty drawback system operated on a case-by-case basis requiring firms to submit applications based on detailed evidence that duty was actually paid, inputs were actually used, and exports actually occurred. Payments were disbursed several months after the applications were processed. Drawback claims were further eroded by numerous financial charges and administrative costs.

Significant progress has been made to allow exporters to have unrestricted and prompt access to duty-free inputs required for export production. Realizing that little use was made of the system because it was inherently complicated, CEPS conducted in late 1994 an active campaign to encourage exporters to apply for tax and duty drawback on their imported inputs. In one of its efforts to facilitate access to duty drawback funds, the Duty Drawback Bureau announced in March 1995 the introduction of automatic refunds for cartons used in exports, based on average coefficients calculated using estimates of the duty embodied in domestically produced cartons. This measure relieves exporters from having to provide detailed documentation justifying their claim for drawback packages.

In the interest of transparency in the enforcement of regulations and to reduce the arbitrary exercise of discretionary authority, a number of trade regulations and procedures were published as part of Tranche 2 conditionality, including publications of exchange regulations, business and financial laws, foreign investment regulations, and import and export procedures.

#### **2.2.2.2 Reducing Regulatory and Administrative Transaction Costs**

As part of a technical assistance package provided to GIPC under Tranche 2 conditionality, a FIAS consultant developed a detailed compendium of the multiplicity of steps that a foreign investor must complete to be legally established in Ghana. The list of bureaucratic obstacles compiled in the study reveals that considerable effort will be needed to further reduce regulatory and administrative transaction costs. A roundtable was organized to prepare a plan for follow-up actions. TIMU and GIPC have taken the lead in implementing the recommendations of the roundtable.

To achieve better coordination of export activities, CEPS has created an export division under the direction of the Assistant Commissioner for Exports. Creation of the export division is expected to facilitate the modification of procedures for processing export documentation and inspection at points of exit, which have been closely tied to import procedures. The export division will have responsibility for generating trade statistics on exports. The Assistant Commissioner for Exports is also head of the Duty Drawback Bureau (DDB). DDB's access to current export data is expected to help speed up the processing of drawback applications.

Opening of Export Shed 9 at Tema Port has provided a one-stop facility for exporters. Tema has also adopted a simplified system for processing export documentation, developed internally by CEPS.

Kotoka Airport provides a similar exporter-friendly environment. Even though a cumbersome system for handling documents has led to long delays in recording export data and occasional loss of export transactions, introduction of the new simplified export form for non-traditional exports will help remedy the current situation. The new form has already been distributed to all exit points.

The Cargo Village terminal at Kotoka International Airport started operations in October 1994. Sole responsibility for all cargo handling was transferred from Ghana Airways to an international private sector consortium of experienced cargo handlers, who had won the bid to manage the cargo terminal. However,

with the rapid increase in the outgoing air cargo, it has become evident that the new terminal is already too small for peak flow periods. For this reason, TIMU has initiated negotiations with the Ghana Civil Aviation Authority about the possibility of speeding up implementation of the second phase of the airport improvement program.

### **2.1.3 Remaining Constraints**

#### **2.1.3.1 Macroeconomic Performance**

After several years of improved macroeconomic performance, an election-related fiscal shock in 1992 initiated a persistent and mounting inflationary pressure. The following year, money supply grew by 37 percent and inflation reached 27 percent on an annual basis. Inflation has intensified since 1994 due to significant monetary expansion, reaching 56 percent in 12 months to May 1995. High interest rates — 36 percent for Treasury bills — and rapid depreciation of the Cedi vis-a-vis major foreign currencies have increased macroeconomic instability.

The TIP design includes a program to improve financial services for exporters. However, it was early decided that export finance would be a World Bank-led activity, as part of a USAID collaborative effort with other donors.

#### **2.1.3.2 Export Finance**

The World Bank-financed Ghana Private Enterprise and Export Development (PEED) project started operation in July 1993. PEED has a credit facility that includes a \$ 34 million export credit line to assist private exporters in obtaining short-term pre- and post-shipment finance from banks. The line of credit is available through the Bank of Ghana (BOG) to eligible participating financial intermediaries (PFIs). The line of credit operates as a refinance facility. BOG on-lends the funds in U.S. Dollars or in Cedis depending on the currency of the underlying loan extended by the PFI to the exporter. Funds are on-lent for the entire period of the export loan, subject to a maximum of 360 days. PFIs accept the full credit risk. Exporters or their PFIs may seek cover under a guarantee program. Cover is offered for 65 percent of the face amount of the loan with the PFI retaining 35 percent of the risk. Two years after the project started, PEED's credit line remains practically unused. As of July 1995, PEED has disbursed only \$ 2.1 million.

Why commercial banks fail to take advantage of a seemingly tempting opportunity is subject to dispute. There is, however, consensus that the demand for export finance in Ghana remains largely unmet. For instance, with the notable exception of the largest and best-established enterprises which have been assisted by APDF, most other firms — even those assisted by other TIP private sector contractors and grantees — have been unable to obtain sufficient credit from formal sources. The most commonly cited factors for this constraint include: the natural reluctance of banks to lend to non-traditional export firms, judged too risky for short-term loans; banks' insufficient capacity to adequately appraise and intensively supervise projects; and the high cost of credit in the domestic market as a result of financial market liberalization. It is widely accepted that financial market liberalization has raised interest rates, crowded out private loans, and promoted a growing supply of remunerative risk-free treasury bills in the asset portfolios of commercial banks.

At least three TIP reports have been directly or indirectly devoted to NTE finance in Ghana (Ouattara et al. 1994; Levy 1994; Duggelby 1994). On 6 April 1995, an export finance roundtable was organized under a TIP initiative to identify remaining constraints. Participants included high-level representatives from the relevant ministries, the Bank of Ghana, other public agencies, public and private sector banks,

and several private sector institutions. Major recommendations included creation of export houses funded by a strong financial institution, and establishment of financial intermediaries between banks and exporters. Efforts are underway to identify appropriate TIP follow-up actions.

#### **2.1.3.3 Forestry/Wood Sector Policy**

A draft report of a TIP study on the impact of banning log exports and alternative policy measures was recently completed. The study provides strong evidence that the ban on log exports of high-value species leads to considerable loss of income and foreign exchange. According to the study, the ban also results in a substantial subsidy to the local sawmill industry, encourages wasteful and uncompetitive technology, and accelerates the disappearance of tropical forest. These findings are at variance with government policy in this area. Current policy of the Ministry of Lands and Forestry is indeed oriented toward further expansion of the log export ban to lesser-valued species.

#### **2.1.3.4 Remaining Bureaucratic Barriers**

Despite the significant progress that has been achieved under the TIP initiative, a number of bureaucratic obstacles continue to face non-traditional exporters. These obstacles are illustrated by the requirement to obtain a certificate of origin for each export shipment and a certificate of pre-shipment inspection for each import operation.

**Certificate of Origin.** Some products exported from Ghana are eligible for preferential tariff concessions in some countries, such as the European Community. Many countries do not grant, and many export products are not eligible for, tariff concessions. Nevertheless, current procedures require that all exports be accompanied by a certificate of origin. The Chamber of Commerce is the sole agency authorized by the Ministry of Trade and Industry to issue certificates. Exporters complain of the cost as well as the inconvenience of getting such a certificate, especially when it is not needed.

**Pre-Shipment Inspection.** Many exporters import production inputs and marketing supplies for their operations. For instance, garment manufacturers import most of their raw materials and equipment, and pineapple exporters import cartons for packaging. Mandatory pre-shipment inspections required for all imports above \$ 5,000 are particularly onerous to these and other enterprises producing for export. Since no duties or taxes are paid on such imported inputs, the pre-shipment inspection is clearly superfluous.

#### **2.1.4 Conclusions and Findings**

##### **2.1.4.1 TIP Has Broadened and Deepened the Policy Dialogue between the Public and Private Sectors.**

Two years into the program, TIP has achieved considerable progress in broadening the dialogue between the public and private sectors. Progress has been achieved through successful implementation of a well-defined action plan to improve the policy framework governing non-traditional exports, and reduce the regulatory and administrative transaction costs.

Enactment of the Export and Import Law is one of the most important achievements of the TIP program. The regulatory improvements brought about by the new law simplify exports of non-traditional products well beyond the original design of the TIP program. Nowhere in the Program Assistance Approval Document (PAAD), for example, is it envisaged that the GOG would be willing to completely lift its control over NTE foreign exchange proceeds. Passage of the new law is a testimony that TIP has helped



key policy-makers overcome a well-entrenched fear of capital flight and, more generally, has contributed to the change in their attitudes toward trade liberalization.

Enactment of the Export and Import Law raises the question of whether the advent of parliamentary democracy in Ghana has had any significant implications on the policy reform process. The Administrative Instrument (L.I.596) initially submitted by MOTI to Parliament was delayed in Parliamentary Committee. As a result, Parliament failed to approve L.I. 1596 during the last session of 1994. On 6 January 1995, MOTI submitted a new Export and Import Bill incorporating the provision of L.I. 1596. The bill was the subject of a wide debate at the Parliamentary Committee hearings. During the hearings, widespread support was expressed for the imposition of a 1 percent levy on imports to finance the creation of an Export Development Fund (EDF). An amended bill incorporating the proposed EDF failed to gain the necessary support from Cabinet because of its potential negative effects on imports, particularly at a time when a new value added tax of 17.5 percent, replacing the previous sales tax of 15 percent and other related taxes, led to dramatic price increases that resulted in violent mass disturbances. It is only after a third reading on July 1995 that Parliament voted to send the bill for Presidential signature.

The process described above demonstrates that adoption of the regulatory improvements that have occurred through the Import and Export Law or the Ghana Investment Promotion Centre Act of September 1994 has been slower than it would have been under alternative arrangements. However, thus adopted, the regulatory improvements have offered an extremely significant advantage in that they have been introduced through a law and, therefore, have been subject to thorough public scrutiny in parliamentary committee meetings. The same changes could have indeed been mandated more expeditiously through administrative decrees issued under existing laws. However, policy measures introduced through administrative decrees are unquestionably less sustainable, as they can be easily overturned.

#### **2.1.4.2 Success of the TIOC/TIMU Model**

Several factors have contributed to the large success of the TIOC/TIMU model. First, clearly-defined tranche conditions in the principal reform areas based on well-specified, up-front actions have stimulated a sense of ownership among key policy-makers and confirmed government commitment to the reform agenda.

Second, the size of the program (\$60 million of NPA and \$20 million of PA) has given TIOC a larger voice than it might otherwise have had.

Third, including the Deputy Minister for Finance and Economic Planning as Co-chairman of TIOC has led many of the organizations requested to appear before TIOC to discuss certain policy reform actions to respond positively to requests for change. There is evidence that such a positive response was partially due to their awareness that the Ministry of Finance and Economic Planning will be approving or disapproving their budgetary allocations.

Fourth, a key element of TIOC's success has been the leadership provided by TIOC's other co-chairman, the Deputy Minister for Trade and Industry — a highly regarded parliamentarian who has played a critical role in the implementation of TIP's policy reform agenda.

Fifth, USAID/Ghana has played an active role in monitoring program activities either directly through its membership in TIOC or indirectly through its technical assistance advisor to TIMU.

Sixth, TIMU's overall guidance and hands-on management through intensive preparatory and follow-up work has provided an essential supplement to TIOC's dedication and to government commitment and sense of ownership.

TIMU's success in implementing TIOC's decisions can be explained by the close collaboration and direct dialogue that TIMU has developed with the various ministries, agencies and other public-sector organizations involved in the NTE sector. TIMU played, for instance, a central coordinating role in promoting the new export and import law, with the assistance of MOTI's legal division. Success required the willing cooperation of all government agencies involved in foreign trade regulation, and more particularly that of the Bank of Ghana, CEPS and GEPC, the three entities expected to be most affected by the changes. Consensus among public agencies was gained through a series of meetings and debates that occurred over a period of nearly two years. The strategy of full consultation with public institutions also secured the acquiescence or endorsement of those institutions when the new laws were being debated.

TIMU played a catalytic role in implementing many of the proposed reforms by keeping TIOC abreast of progress, identifying remaining constraints, and recommending follow-up actions. When the problems that arose were not easily predictable and requests were made to investigate specific follow-up questions, TIMU was able to respond to such initiatives by reporting with timely findings and recommendations.

In this perspective, TIP's success in the policy and regulatory reform area has been determined to a significant extent by its capacity to address major issues affecting trade and investment in a timely fashion, using a rigorous, data-based, and systematic analysis of those issues. As such, the research agenda established through TPU has been instrumental in building a stronger consensus and in stimulating a wider acceptance of the proposed policy interventions.

#### **2.1.5 Recommendations**

##### **2.1.5.1 Closer Collaboration with Other Donors and Donor Agencies**

TIMU and TPU have been less successful in collaborating with other donors and donor agencies. For instance, closer cooperation with the World Bank would have provided TPU with an opportunity to collaboratively examine a number of macroeconomic issues that would have given macroeconomic management a stronger role in the ongoing policy dialogue between MOTI and other government agencies. Such collaboration would have also provided TIMU with an opportunity to more systematically address the export finance issue. It must, however, be noted that USAID/Ghana has made recommendations to make TIOC a permanent body with broader membership. Such efforts will be a major step toward institutionalizing TIOC while ensuring closer collaboration with other donors and donor agencies.

##### **2.1.5.2. Export Finance Roundtable: Next Steps**

The current impasse in the export finance area was not resolved by the April 1995 roundtable, as most of its recommendations represented medium- and long-term solutions. At the same time, there is little consensus among TIP participants on the need or urgency to seek second-best, short-term, unsustainable solutions. Some studies (Ouattara et al, 1994; Levy, 1994) have even suggested that the absence of credit on favorable terms is a common complaint in both Ghana and other countries and need not necessarily reflect credit shortages. It is also argued that while finance may be a constraint for many Ghanaian exporters, credit guarantee schemes and other special government and donor programs to solve market failure are not likely to be the answer.

It is important to note that the persistence of major obstacles in the export finance area should not be interpreted as a fundamental deficiency in the TIP program. PEED's line of credit, an integral part of the TIP design, is indeed still open to potential borrowers. So are other credit lines made available by other donor institutions, such as the Caisse Française de Développement. The fact that export finance continues to be a major question clearly demonstrates that the GOG and donors have yet to effectively address Ghana's long-term financial issue. In this context, the TIP program should be credited with having made substantial contributions to the debate on export finance in Ghana.

Efforts currently underway to identify new TIP initiatives in the export finance area will make further contributions to this debate. Potential follow-up actions include efforts to examine some of the options recommended during the export finance roundtable, to investigate how PEED lending terms might be modified to better accommodate non-traditional exporters, and to explore the suitability of the various other solutions that have been recommended in the TIP reports devoted to the export finance issue.

#### **2.1.5.3 Continue Present Efforts to Reduce Transaction Costs**

*Ghana: The Investor Roadmap*, a study prepared by FIAS under TIP auspices, has demonstrated that the policy and regulatory environment remains a critical constraint to private sector development in Ghana. Many of the findings in the FIAS study apply to non-traditional exporters, who continue to face a variety of duplicative, unnecessary or outmoded regulations. It is recommended that TIMU continue to pay direct attention to removing such regulations. Chief among these are the requirements that all exports be accompanied by a certificate of origin, and the mandatory pre-shipment inspection.

TIMU's efforts to reduce transaction costs for exporters are justified on both efficiency and equity grounds. First, it has been demonstrated that, when examined individually, some of these regulatory and administrative constraints may appear more annoyances than binding constraints. However, when grouped together, they become downright overwhelming. Second, a study on the costs and benefits of eliminating institutional constraints on the expansion of non-traditional exports in Ghana has documented that the implicit export tax rate resulting from institutional barriers can be as high as 20 percent. The study has also demonstrated that, given the competitive nature of non-traditional markets, such a financial burden can be critical to whether an industry survives. Third, since investment in the NTE sector in Ghana is largely self-financed as a result of the numerous deficiencies characterizing the export finance market, any government regulation that reduces profit is a direct tax on investment and, therefore, on exporters' ability to expand supply capacity. Fourth, since the costs of administrative hassles for larger exporters are low relative to their total costs, removal of administrative barriers would help small exporters the most.

### **2.2 IMPROVING TRADE POLICY ANALYSIS CAPABILITY**

#### **2.2.1 TIP Design Strategy**

A major TIP instrument to improve the enabling environment for exporters is to build the capacity of MOTT's TPU to analyze policy issues of particular relevance to the TIP program. It is expected that building TPU's capacity to carry out relevant policy analysis will allow the GOG to better respond to the needs of the private sector community. Established in 1991, TPU has three principal functions: generation of information and statistics on trade to policy-makers; data analysis; and identification of major constraints to increased exports.

Three major tasks are assigned to TPU under the TIP program. The first task is to develop an adequate database and reporting system. Due to the lack of data on basic trade flows, the first two years of the

TIP program are dedicated to improving data availability. TPU is also assigned responsibility for monitoring Ghana's macroeconomic and trade activity indicators. The third task assigned to TPU is to prepare a series of studies on trade-related issues that would contribute to an informed policy and regulatory review.

A TIP long-term advisor with expertise in trade analysis is assigned to TPU. Specialized short-term technical assistance complements the efforts of the trade policy advisor. TPU is to be provided with computer equipment and research materials, including international data and databases, books on trade policy, magazines, scholarly publications, as well as information published by the General Agreement on Tariffs and Trade (GATT), the United Nations, the International Monetary Fund (IMF), the World Bank and other international agencies. The GOG is to provide adequate budgetary support to all other TPU activities.

## **2.2.2 Progress to Date**

### **2.2.2.1 Improving Data Availability**

At the beginning of TIP activities in 1993, no current general data on exports and imports were available from any source in Ghana. The March 1993 *Quarterly Digest of Statistics* indeed indicated that no general trade data existed for the period 1990-1993. Access to available data was limited. Data obtained were often of dubious quality.

Two years into the TIP program, considerable progress has been made in obtaining monthly import and export data from Ghana's major trading partners. Success in this area is due to TPU subscriptions to trade data on CD-ROM from the U.S. Bureau of the Census and from Eurostat, the statistical agency of the European Union. CD-ROM data have been used to compile reports on Ghana's imports and exports, as recorded by the U.S. and the European Union. Since June 1994, TPU has released monthly summaries of exports to and semi-annual summaries of imports from the United States, using U.S. Department of Commerce data. A similar series is planned for the United Kingdom and the European Community. The CD-ROM subscriptions have two advantages relative to trade data obtained from CEPS. First, data are received regularly and in a timely manner. Second, at any given point in time, the CD-ROM data are more current than local data as will be explained below.

Generating reliable and timely trade statistics from local sources has been exceedingly more challenging to TPU's trade database and reporting system. A major obstacle has been the level of reliability and data quality associated with the Automated System for Customs Data (Asycuda) used by CEPS. Two other contributing factors have been initially the weak computing capacity of TPU in terms of equipment and personnel, and the excessive turnover of entry clerks at CEPS.

Significant steps have been taken to make TPU a reliable and timely source of trade data for policy-makers. Adequate computer equipment is now in place, a comprehensive system for data entry and processing has been designed, and training has been provided to enhance the computer skills of MOTI's personnel. CEPS has assigned entry clerks for longer periods of time to increase their sense of responsibility. A training workshop was organized at the ECOWAS Computing Center in Lome, Togo, for a group of officers from MOTI, Ghana Statistical Service, GEPC, and CEPS on the new version of Asycuda. It is expected that the new version will help solve many of the current shortcomings of the present system. A two-week study tour was also organized at the U.S. Bureau of the Census to observe how trade statistics and reports are produced there. A local consultant was hired to design a data entry screen for MOTI keypunchers.

As a result of these steps, a clean data set for overland exports in 1994 has been generated. A local software firm, JEMA Associates, was contracted to develop an alternative data entry and reporting system — the Customs Export Data Information System (CEDIS) — for customs data on exports. CEDIS will accommodate the new Ghana Export Form for non-traditional exports that will be soon introduced as a result of the passage of the new Export and Import Bill on July 7, 1995. Prototypes of the software have already been installed and tested at Kotoka Airport and Tema, and are scheduled for introduction in Takoradi in the coming weeks. Overland exports for 1995 are being entered at MOTI using the new software. An extension of the subcontract with JEMA Associates is under negotiation to generate monthly export data using the CEDIS software.

#### **2.2.2.2 Monitoring Macroeconomic and Trade Indicators**

TPU staff have maintained an updated database on the real exchange rate for Ghana and its relevant partners. Exchange rate information has been published on a monthly basis. Information on major determinants of the real exchange rate, including the terms of trade, capital flows, measures of trade liberalization, and monetary and fiscal policies has also been collected and maintained. The major output of TPU activities in these areas has been a series of reports used to keep MOTI informed of the major macroeconomic developments affecting NTE growth, including the relative competitiveness of Ghana in international markets. Macroeconomic and trade indicators have also been used to strengthen MOTI's policy dialogue with other government agencies.

#### **2.2.2.3 Trade Policy Studies**

TPU has conducted a series of studies to examine critical policy issues. Areas of investigation have included fiscal and monetary policy, the value-added tax, NTE term-financing needs, devaluation of the CFA Franc and its impact on the NTE sector in Ghana, and effects of the Uruguay Round on Ghana's Trade. Some of the studies have been prepared by expatriate or Ghanaian consultants. Other studies — including those related to the effects of trade liberalization, the effects of the Uruguay Round on Ghana's trade position, and the implications of the CFA Franc devaluation on Ghana's competitiveness in world markets — have been joint research papers produced by the long-term advisor and MOTI staff.

The list of studies prepared by TPU indicates that the topics selected for investigation have been highly relevant to MOTI and TIP activities. While many of the topics had indeed already been identified during TIP design, others were identified as new important issues began to emerge. An example of the new issues that have emerged during TIP implementation is provided by the exogenous changes in world market conditions, particularly the potential effects of the devaluation of the CFA Franc, that occurred in January 1995, on Ghana's NTE sector.

The TPU study on the CFA devaluation has demonstrated that since the nominal exchange rate is largely market determined, there is little that Ghana can do in terms of its exchange rate policy to offset the potential decline of its competitiveness relative to its neighbors. However, Ghana's competitiveness can be enhanced through sustained efforts to improve the policy environment and lower transaction costs for exporters. Since the expansion of Ghana's export capacity is largely dependent on imported inputs, tariff and non-tariff barriers to imports must also be rationalized. A tariff regime based on a uniform tariff structure and a set of well-functioning duty relief schemes, such as the duty drawback and bonded manufacturing systems, would be critical in achieving this objective.

The TPU study has also shown that if the production of tradable goods in the Franc Zone economies is perceived as more profitable by foreign investors, their investment in the sub-region is likely to increase over time. At the margin, increased foreign investment in Franc Zone countries could occur at the

expense of Ghana. Thus, a positive policy environment to stimulate foreign investment in Ghana must be created. The same conclusion applies to the signing of the Uruguay Round of the GATT agreement. Additional measures to improve the enabling environment would offset the potential erosion of the privileged access to the Western European market that Ghana has had under the ACP protocols and to the North American market under similar arrangements.

The pertinence and outstanding quality of TPU's studies have enabled MOTI staff, at the highest level, to secure critical information and analyses in a timely manner and in a form tailored to their needs. As such, TPU's studies and analyses have been instrumental in strengthening MOTI's capacity to influence the ongoing macroeconomic and trade policy debate and private sector issues.

### **2.2.3 Outstanding Issues**

The TPU studies may be divided into three categories: joint papers by the long-term advisor and MOTI staff; studies conducted by outside consultants working with TPU; and studies conducted with outside consultants working through a collaborative effort with the Center for Economic Policy Analysis (CEPA), which started operation in April 1994. Even though most TPU studies have been completed on time and within budget, there has been one instance where a study conducted in collaboration with CEPA has been associated with a great deal of delay and uncertainty. Initiated in late July 1994, the study has yet to be completed.

Some of the staff assigned to TPU have carried out duties assigned to them prior to joining TPU, and continue to respond to instructions from former supervisors. This situation has meant that a number of TPU staff members have not been available to perform TPU work at critical times. In addition, having staff members who respond to more than one supervisor has not only created considerable ambiguity and disruption, but it has also resulted in instances where TPU tasks have been subordinated to non-TPU demands. Even though TPU staff have been in most instances directly or indirectly involved in the policy research effort, this situation has hampered TIP efforts to increase TPU capacity for carrying out effective economic policy analysis and dissemination.

It must, however, be noted that an important step has been taken in November 1995 to remedy this situation. In effect, three additional staff members were assigned to TPU in March-April 1995. In addition, one staff member, who had been seconded from MOTI to another institution, is now back with TPU.

### **2.2.4 Recommendations**

#### **2.2.4.1. Obtaining Computerized Data from CEPS**

To reduce duplication of effort (wherein both MOTI and the GSS expend resources to obtain the same set of data), it is recommended that GSS be responsible for obtaining the computerized data from CEPS. The TPU should liaise closely with personnel at GSS to have it produce the required reports on exports and imports and to provide the TPU with an electronic copy of import and export transactions. Training opportunities for GSS personnel may be used to secure changes in report formats and to improve the quality of the data provided.

The probability of obtaining necessary data on a timely basis from GSS was very low at the beginning of TIP. However, one GSS staff member is now working almost full time with a number of the staff members assigned to TPU's data processing section to collect the ASYCUDA data from CEPS at Tema, Takoradi, and Kotoka International Airport, to input those data into Eurotrace, and to produce statistical

reports. Interviews with TPU personnel indicate that GSS, formally designated to produce official trade reports, has better access to ASYCUDA data from CEPS than MOTI. Whether such statistical reports will be produced on a timely basis remains an open question. However, a significant step in this direction is that Eurotrace, the statistical package used to process ASYCUDA data, has been recently installed in MOTI's computers. Availability of Eurotrace at MOTI will allow TPU to obtain the necessary data in electronic format, as well as hard copies of all related reports.

#### **2.2.4.2 Cross-Border Trade Data**

TPU should concentrate its efforts on compiling and disseminating statistical reports on the cross-border trade with other countries in West Africa. The Single Administrative Documents (SADs) for cross-border trade transactions are not entered into the computer by CEPS officers, nor are they currently being entered by GSS. Thus, statistics on these important trade flows are not available for analysis. MOTI can play a crucial role in filling this information gap. MOTI receives a copy of the overland SADs from the customs posts at the borders. These are supposed to be brought to Accra by the Regional Trade Officers every month, although border posts exhibit wide variability in the timeliness and completeness of their submission.

#### **2.2.4.3 Full-Time Staff Assignment to TPU**

Implementation of the proposed system for generating trade statistics will require the full-time dedication of the staff members assigned to it. It is, therefore, recommended that data processing personnel be protected from being assigned to tasks unrelated to the production of trade statistics.

Since CD-ROM data are relatively expensive, it is uncertain whether MOTI will maintain the subscriptions after the end of the TIP program. Whether the subscriptions will be maintained will be determined to a significant extent by whether MOTI will continue to value the information and use it to support its policy decisions. However, since the TPU Advisor is currently the only TPU staff member with the necessary technical skills to generate reports based on CD-ROM data, it is recommended that other TPU staff members be trained in how to use the CD-ROM system. Transfer of skills from the TPU Advisor to other MOTI personnel will contribute to the sustainability of the data processing, analysis and reporting effort. For this reason, it is recommended that MOTI continue to implement vigorously its recent policy of full-time staff assignments to TPU.

#### **2.2.4.3 Use of Ghanaian and Outside Consultants**

TPU management should continue to take an active interest in using Ghanaian and outside consultants, as needed. The level of effort and expertise required to conduct the wide range of policy studies needed to strengthen the policy dialogue between the private and public sectors in the NTE area is likely to exceed TPU internal resources even if TPU staff are released from non TPU-related duties. Use of external resources will also enable TPU to maintain the high level of quality that has characterized its trade policy research effort. Furthermore, MOTI should assign specific staff members to fill the slots identified by the trade data consultant, with the understanding that these are full-time positions. The staff members would be responsible for performing all tasks associated with their respective job descriptions. MOTI, for its part, would grant these staff members the authority to carry out their jobs by protecting them from demands that they perform tasks unrelated to the production of trade statistics.

#### **2.2.4.4 Collaboration with CEPA**

The results of the collaborative effort with CEPA have not been as substantive as anticipated. Future work with CEPA should, therefore, be undertaken only on an as-needed basis, such as in areas addressing macroeconomic issues or otherwise requiring policy recommendations that may fall outside MOTI's direct purview.

#### **2.2.4.5 Preparation and Approval of Scopes of Work**

To maximize the potential for completing all studies in a timely manner and within budget, it is recommended that each scope of work include a rigorous timetable and specific deliverables. In addition, since studies conducted by local or outside consultants require both MOTI and USAID approval, it is recommended that the approval process be expedited so that implementation is not unduly delayed. Approval of the TPU Workplan by MOTI and its acceptance by USAID as meeting the related conditionality imply approval of the proposed studies, and should be used as a rationale for expediting approval of the scope of work.

#### **2.2.4.6 Dissemination of TPU Activities**

To promote a more effective dissemination of the policy research agenda, each topic selected for investigation should include a plan for sharing the product with the relevant audience. In many instances, this audience will be primarily officials across government agencies and ministries. In other instances, the results will need to be shared with a wide audience of entrepreneurs or other private sector participants. Each of these examples will require a different strategy for presentation and dissemination, ranging from roundtables to seminars to workshops, to promote more effective interaction between the business community and policy-makers at all levels of the decision-making process. A more active policy dissemination plan will also greatly contribute to TIMU's public sector training activity.

### **2.3 TRAINING**

#### **2.3.1 TIF Design**

The nature and amount of the training activities in support of the public sector component are not clearly articulated nor sufficiently detailed in the TIP program design. However, a close examination of the PAAD reveals that the program provides for five categories of training activities:

- Development of a Young Professional Program geared toward increasing the skills of "the best and brightest" middle level staff in ministries associated with the administration of trade and investment.
- Public-sector training funds provided under the Human Resources Development Project are made available for short-term participant training to the U.S. and third countries.
- Short-term participant training funds available under the project component of TIP to be programmed through TIMU.
- Training in the implementation of "key procedural modification and needs to make the reforms work."
- Another form of training is to "develop appropriate programs to instill an awareness of the importance of exports to the future growth of Ghana."



### **2.3.2 Inventory of TIMU/TPU Training Activities to Date**

#### **Computer Training**

- Two-week training course in micro-computer software programs and applications offered to TPU and TIMU officers by MOTI data processing unit in November 1993.
- Two-week training course in the new version of Asycuda 2.6 and introduction to Eurotrace offered to eight officers from MOTI Data Processing Unit, GSS, GEPS, and CEPS in ECOWAS Computing Center in Lome, Togo in January-February 1995.

#### **Seminars**

- Review of the study on the Log Export Ban on High-Value Species and its implications for the competitiveness of the wood products sector. Internal seminar of TIMU/TPU staff at MOTI, May 1995
- Review of the results of the Roundtable on Export Finance and possible implementation of proposed Export Credit Leverage (EXCEL) system. Internal seminar of TIMU/TPU staff at MOTI, June 1995
- Evaluation of Ghana's participation in the ECOWAS trade fair in Dakar and review of the training tour of U.S. Bureau of the Census procedures for generating foreign trade statistics. Internal seminar of TIMU/TPU staff at MOTI, June 1995

#### **Short Courses and Lectures**

- Short courses on various topics related to administration of duty and tax drawback schemes, export and import documentation, bonded manufacturing warehouses, and alternative importation mechanisms. Offered to CEPS officers involved in Duty Drawback Bureau and tax relief programs, the World Trade Institute in New York and Chicago, September 1993 to September 1994.
- Short summer course on Macroeconomic Management in Emerging Economies. Offered to TPU director at the Harvard Institute for International Development (HIID), Cambridge, Massachusetts, June-August 1995
- Series of three lectures by Professor Donald Beam on the value added tax and its anticipated implications on trade and investment. MOTI, CEPA, University of Ghana, February 1995.

#### **Study Tours**

- Two-week training visit to the Bureau of the Census to observe procedures for generating export and import trade statistics in the U.S. Visit made by two members of MOTI's Data Processing Unit. Washington, D.C., May 1995.

### **2.3.3 Findings**

- TIMU selection of both training activities and candidates has been based on careful consideration of TIP activities and institutional needs.

- Overseas training has been based on case-by-case consideration of both program and candidate appropriateness.
- Found to be inadequately designed and insufficiently focused, the Young Professional Program as described in the TIP design was justifiably abandoned.
- Emphasizing the need for high officials in export-related government agencies to have first-hand knowledge of exporters' constraints and to keep abreast of the enterprise-level impact of the new policy actions, TIMU has organized a series of field trips for TIOC members to selected enterprises in the Accra-Tema metropolitan area and regional centers.
- Despite some positive results, TIP's public-sector training program has fallen far short of its potential.
- A contributing factor has been the difficulties encountered in the implementation of USAID's Human Resources Development Assistance (HRDA) project. A major setback occurred when the third phase (1991-1995) of HRDA was suspended following termination of the technical assistance contractor in July 1993. HRDA's fourth phase (1995-1997) did not resume before the first quarter of 1995, following selection of a new institutional contractor in March 1994.

#### **2.3.4 Recommendations**

- TIMU should take a stronger training role in the next two years of the TIP program.
- Based on a systematic training needs assessment, TIMU should develop an integrated training plan that would clearly define the objectives of each training component, and of each activity within each component.
- TIMU's new training plan should take into consideration the potential for close collaboration with the HRDA project. Such collaboration will be all the more important now that HRDA's activities are based on a redefined scope of work emphasizing export training.
- TIMU's new training plan should be fully integrated with the various private sector training activities conducted by TIP's private sector grantees and contractors.
- TIMU's new training plan should be designed in conjunction with TIP's program to increase public awareness of trade issues, being implemented through the Inter-Agency Agreement with the United States Information Service.
- Design and management of a limited number of observational training activities and study tours in other countries for selected private and public sector participants should continue to be an important element of TIMU's training plan. However, such activities should be carefully justified and participants selected on a careful case-by-case basis. To achieve this objective, a scope of work for each activity should be prepared. In addition to defining the problems to be addressed and the purpose to be achieved, the scope of work should define the specific tasks of the training activity and how such tasks will be accomplished.
- Each TIMU training activity should be closely monitored and evaluated to ensure that the desired impact is being attained. In particular, the formal opportunities for training recipients to share what they learn with other TIP program participants should be strengthened and extended to both local and

overseas training recipients. Such opportunities — e.g., written trip reports, self-evaluations, symposia, conferences, workshops, and other discussion formats — would serve as a formal mechanism to determine the benefits and applicability of each training activity and, hence, as a basis for an on-going evaluation of the training component.

## **2.4. STRENGTHENING EXPORT-RELATED GOVERNMENT AGENCIES**

In developing a strategy to strengthen export-related agencies, TIP postulates that export and investment promotion are two important ingredients of a successful export promotion program. Firms need the information and support provided by export and investment promotion agencies to acquire knowledge on export markets and to access both funds and technology from foreign investors. However, worldwide experience demonstrates that if the export and investment promotion efforts are to succeed, these functions must be shifted from governmental to quasi-governmental or private organizations.

Since there were no private sector entities performing or capable of performing the export and investment promotion functions in Ghana, TIP followed a two-track approach based on (1) converting existing public-sector organizations into more effective quasi-governmental institutions, while (2) establishing the basis for the development of effective private sector organizations that would assume a greater export and investment role.

A primary objective of the public-sector component of TIP's effort to strengthen the export and investment promotion functions was to convert the two public-sector organizations, GEPC and GIPC, into semi-governmental institutions. TIP assistance in this area was to focus on defining a proper organizational structures and role for the two institutions.

### **2.4.1 Strengthening Ghana Investment Promotion Centre**

#### **2.4.1.1 Strategy**

The TIP program design stresses that assistance to Ghana in developing and implementing an Investment Promotion Strategy (IPS) is essential in order to ensure the continued expansion of private and foreign investment in the NTE sector. A properly restructured GIPC could be the engine for providing this vital information exchange and in channeling needed private and foreign investment in Ghana.

Conversion of GIPC to an effective quasi-governmental institution is to be achieved through implementation of a series of conditionality requirements. Tranche 1 requires that FIAS, a joint service of the International Finance Corporation (IFC) and the World Bank, be invited to assist the GOG and the private sector to develop an IPS for Ghana.

The FIAS program is to be implemented in three phases. The first phase (between Tranche 1 and Tranche 2) includes revision and enactment of the Ghana Investment Code. The output of the second phase is a medium-term plan detailing the specific objectives of the restructured GIPC, its organizational structure and staffing, and the main elements of its action plan. This phase would lay the basis for later introduction of a computer-based management information system and other efforts to be implemented in a third phase. During the third phase, FIAS would assist GIPC in formulating a strategic plan for investment promotion. Conditionality under Tranches 1 to 3 requires evidence that the investment promotion strategy is being developed and conditionality under Tranches 4 and 5 requires evidence that the strategy is being implemented.

USAID/Ghana is to provide funding for the FIAS technical assistance program. The GOG is to contribute all the local currency needed to operate GIPC and implement the IPS over the life of the TIP program.

#### **2.4.1.2 Progress to Date**

The first major GIPC policy action carried out under TIP was the promulgation of the Ghana Investment Promotion Centre Act (Act 478) in September, 1994. The Act reestablishes the Ghana Investment Corporation (GIC) as GIPC, an organization dedicated to investment facilitation and promotion. Five major features of the Act should be noted. First, the regulatory responsibility formerly discharged to GIC was entirely eliminated. Second, investment review and evaluation was replaced with simple registration. Third, GIPC is to play a service-oriented role, emphasizing facilitation rather than management. Fourth, the Act extends a transparent incentive scheme to investors. Fifth, the Act extends to investors strengthened investment guarantees. For instance, investors are no longer required to remit capital, profit, or dividends through the Central Bank of Ghana. Similarly, the Act provides guarantees against expropriation.

A second achievement is that GIPC is now administered by a Board of Directors consisting of eight members, the majority of whom are from the private sector. An important output of the first phase of FIAS technical assistance has also been the development of a medium-term plan detailing the specific objectives of the restructured GIPC, its organizational structure and staffing, and the main elements of its action plan.

To help a selected group of GOG and private sector representatives begin to formulate a strategic plan for investment promotion, a two-day workshop was organized in August, 1994. Following the workshop, an interagency drafting committee was formed in September-October 1994 to develop a master plan for a medium-term investment promotion strategy for Ghana, based on the action plan developed during the workshop. These efforts culminated in a strategic document entitled the *Ghana Investment Promotion Centre 1995-1999 Corporate Plan*, intended as the guiding strategic principle for attracting investment both within and into Ghana during the plan period.

As detailed in its corporate plan, GIPC has three major functions. First, GIPC's new role is that of a "One-Stop-Facilitator," or a single window offering a full set of facilitation services. Second, GIPC will play a policy advocacy role by providing feedback on policies and other factors reducing the attractiveness of Ghana's investment climate, as well as coordinating and articulating private sector issues relating to investment promotion. Third, under its targeted promotion strategy, GIPC will carry out specific promotion activities, such as embarking on investment missions, trade fair attendance, and establishment of overseas missions.

In addition to the development of a corporate plan for GIPC, FIAS technical-assistance activities to help the transformation of GIPC into an effective investment promotion agency has included preparation of promotional materials, an investor roadmap, and an investor targeting strategy. In addition to the ongoing GIPC staff training program and development of an awareness campaign, planned activities include completion of an investor perception study and introduction of an Investor Tracking System and Business Operating Conditions.

*Ghana: The Investor Roadmap*, completed in April 1995, is intended to serve as a tool to streamline the investment process. By developing a detailed catalog of all the steps that must be completed by an investor to be legally established in Ghana, the roadmap has identified a long list of regulatory and policy constraints that continue to hamper private sector development.

The GIPC Investor Targeting Strategy, a draft report prepared with FIAS assistance in May 1995, develops an overall strategy for promoting new inward direct investment in Ghana. The investment promotion strategy consists of an assessment of Ghana's potential for attracting foreign investment, examines specific sectors of economic activities with potential for direct investment, and identifies regions and countries with firms in those sectors on which to focus promotion efforts. The report will be used to develop consensus on the prioritization of promotional targets and a strategy for conducting the promotional effort.

#### **2.4.1.3 Conclusion**

This brief review of FIAS/GIPC activities to date indicates that implementation of TIP's GIPC program has been highly successful. As indicated by interviews with GIPC personnel and as reflected in the documents examined, such a success is in large part due to the high quality and pertinence of FIAS technical assistance. A major challenge for GIPC during the next two years of the TIP program will be to translate its strategy into specific actions and measurable results.

### **2.4.2 Strengthening Ghana Export Promotion Council**

#### **2.4.2.1 Strategy**

Conversion of GEPC to a quasi-governmental institution is to be achieved through implementation of a series of conditionality requirements in three phases. First, Tranche 1 conditionality requires that the GOG name a Board of Directors for GEPC with overall responsibility for the establishment and direction of all GEPC activities. In addition to MFEP and MOTI, membership of the Board of Directors is to represent the principal NTE professional organizations and relevant private sector organizations. Second, Tranche 2 conditionality requires the GOG to submit an approved Strategic Plan for GEPC, along with suitable budgeting resources. Third, Tranches 3 to 5 conditionality requires that GOG fund and implement the strategic plan through updated annual workplans, proposed budgets, and disbursement data corresponding to the previous year's budget. TIP is to provide technical assistance in the development and implementation of the strategic plan. The GOG is to provide the necessary budget support as part of its contribution.

#### **2.4.2.2 Achievements**

Since 1993, GEPC has been governed by a Board of Directors chaired by the deputy minister of MOTI. The Board consists of 12 members, including the presidents of FAGE and AGI and three additional private sector representatives.

Two consultants were contracted in 1993/1994 to assist GEPC in drafting a strategic plan for 1993-1997 and an annual workplan and budget for 1994. Approved by USAID/Ghana and GOG in April 1994, the strategic plan includes a GEPC mission statement and a number of strategic guiding principles, and outlines how GEPC will direct its activities to conform to the overall TIP program.

As stated in the strategic plan, GEPC's mission is "to support Ghana's economic recovery programme through promotion of the increase and diversification of sustainable, private sector NTEs and by facilitation of the improvement of the enabling environment for export firms."

The strategic plan features an emphasis on market information; the development of export promotion activities, with a shift away from product development; and the role of GEPC as a first point of reference and clearing house for export related activities to, from and between business and product associations,

GOG entities and buyers and sellers. To de-emphasize GEPC product-development function, nine "supply-based development" activities proposed in a previous workplan submitted to MOTI in August 1993 were eliminated. Equally important, GEPC is to become a trade facilitation body devoid of any regulatory function.

A GEPC Strategy Incorporation Workshop conducted by a team of TIP consultants, provided by Chemonics International under a subcontract with Sigma One, Corp., was held in Accra on 8-12 August 1994. The main objective of the workshop was to assist GEPC in developing an implementation program for its Strategic Plan 1993-1997, by identifying clientele, services, cooperating organizations, and needed resources.

In addition to on-going efforts to help GEPC define its information system requirements, technical assistance has also been planned to help GEPC refine its 1995 workplan and budget allocation.

#### **2.4.2.3 Major Issues**

It is striking to note that GEPC's Strategic Plan 1993-1997, its 1994 Annual Workplan and its 1995 Annual Workplan fail to include a rigorous definition of GEPC's export promotion function. Development of a better-defined export development strategy and objectives would have provided a more rational scope of export promotion operations and their underlying assumptions.

For instance, the Workplan and Budget for 1995 indicates that GEPC will undertake trade and investment promotion missions in Europe (Switzerland, Germany and Holland) and South Africa. The purpose of the missions is "to establish contact with operations in the selected [countries] with a view to, *inter alia*, penetrating those markets." Similarly, the general promotion activities for 1995 include "a solo exhibition... in one of the following countries: Mali, Gambia or Namibia. This is a market penetration and development activity." Another activity listed in the 1995 workplan is to place an advertisement in the International Herald Tribune "highlighting the availability of non-traditional export products in Ghana." However, in the three examples listed no rationale is provided in terms of why the proposed markets are being targeted, what products are being promoted, and why the specific export promotion approach was selected.

Under the Finance and Administration component, the Workplan and Budget for 1995 indicates that GEPC will carry out a series of training programs, such as a foundation course in marketing, costing and pricing, commercial representation abroad, and a range of topics in general export marketing throughout the year. Similarly, zonal GEPC offices are to be established in Kumasi, Takoradi and Bolgatanga "to cater for the needs of the exporting community in Ashanti, Brong Ahafo, Western and Central, Northern Upper East and Upper West Regions, respectively." However, since no investigation of the costs and benefits of the planned activities is presented, the 1995 workplan may not be consistent with cost-effectiveness as defined in GEPC's 1993-1997 strategic plan. Indeed, a "key element of Programme Strategy" stresses that "the cost of each element of the GEPC programme will be considered against the possible return. Does each proposed activity justify the required investment? Can the private sector or another organization be more cost effective?..."

It is expected that the follow-up technical assistance that will be provided by Chemonics International will help overcome these and similar shortcomings.

There is at present no formal mechanism to coordinate GEPC and GIPC promotion activities. The need to strengthen collaboration between the two institutions is justified by the link between investment and export promotion. As Ghanaian firms do not have at present the necessary skills, capital and market

knowledge to develop large NTE export sales, it is assumed that foreign investment will be essential to spur initial export development. The strong linkage between export and investment promotion is also apparent in the fact that investment promotion efforts are likely to focus on attracting export-oriented projects. For these reasons, the PIP project design went as far as to suggest investigation of "the feasibility of merging GIC [GIPC] and GEPC."

#### **2.4.2.4 Recommendations**

GEPC is now at a crossroads where rapid progress toward implementation of its new strategy will be critical to its vigor and long-term vitality. Refining GEPC's export promotion strategy will be a significant step in this direction.

GEPC's export promotion strategy should identify a limited number of sectoral targets and a promotion plan for each sector. The strategy should also identify the targeted markets or importers and the promotional methods and materials to be used. The output of the promotion strategy and targeting exercise will be a concrete plan for promotion activities based on well-defined actions. Given the multitude of technological and institutional constraints facing NTE development in Ghana, the promotion plan should also be modest in terms of its scope and realistic in terms of the results that it may generate.

The export promotion plan should analyze GEPC's internal strengths and weaknesses in relation to the export promotion effort. Such a critical review would allow it to move strongly into the activities reflecting its strengths and refraining from activities depicting its weaknesses. Analysis of GEPC's comparative advantage relative to FAGE, exporter associations and other private sector organization would also be an important part of the critical review exercise. Given the complementarity between GEPC and GIPC objectives, formal collaboration mechanisms between the two organizations should be identified.

As suggested in the GEPC 1993-1997 strategic plan, it is recommended that technical assistance be provided to GEPC to conduct a thorough assessment of its organizational structure and functional units and how they relate to its strategy and objectives. A review and redefinition of staff roles and responsibilities, taking into account recent and anticipated changes, should be a critical part of the assessment.

# **CHAPTER 3** **IMPROVING THE CAPACITY OF PRIVATE** **SECTOR FIRMS TO EXPORT**

## **3.1 DESIGN**

The goal of TIP is to increase Ghanaian exports of non-traditional products to \$250 million. This target provides direction to TIP contractors and grantees in setting their priorities.

TIP has three key objectives: to provide technical skills to Ghanaian firms to increase production of NTEs; to develop managerial capabilities of export firms; and to develop commercial linkages between Ghanaian exporters and overseas importers. A selected number of private sector companies are to receive the needed skills to cultivate contacts, penetrate markets, develop strategies and remain competitive through product research and development.

The TIP strategy is based on assisting potential exporters in two broad groups: established companies with proven or potential export capacity; and resource-challenged producers. Companies are divided into three categories: Group A firms are companies ready for immediate assistance in finding trade and investment opportunities; Group B firms require technical and/or managerial assistance to prepare them for trade and investment opportunities in a reasonable period of time; and Group C is comprised of firms neither ready nor willing to take the steps necessary to prepare for trade and investment, but which, with assistance, could begin to export. For resource-challenged producers, the strategy is directed at organizing them to participate in export activities through market intermediaries. Cross-cutting all groups, TIP provides technical assistance, management training and market services. In some cases, it also provides loan guarantees to local banks on behalf of producer groups.

**Table 3.1. Targeted Segments of USAID Contractors, Grantees and Private Sector Organizations**

Contractor or Grantee	Type of Firm			
	Group A Firms	Group B Firms	Group C Firms	Resource- Challenged Groups
AMEX International	✓			
APDE	✓			
ATA/G				✓
IESC		✓	✓	
TechnoServe				✓
FAGE	✓	✓	✓	
PEF	✓	✓	✓	



The delivery of technical assistance to a broad spectrum of private businesses is the responsibility of three contractors and two grantees. One of the contractors — AMEX International — has formal subcontractors at its disposal to deliver specialized services. Another contractor — APDF — can make arrangements to provide technical assistance personnel to firms for which it arranges capital financing. Finally, three Ghanaian private-sector organizations support export-sector activities.

The primary linkage is among the contractors — AMEX International, IESC and APDF — which target A, B and C companies (Table 3.1 above). A second tier of linkages exists between AMEX International, IESC, TechnoServe, ATA/G and ATA/US. This linkage provides access to information on export markets and marketing channels to producers. For example, AMEX International and TechnoServe assist pineapple exporters and affiliated outgrower groups.

## **3.2 IMPLEMENTATION**

### **3.2.1 APDF**

APDF is a financial facilitation agency operating in Africa under the International Finance Corporation (IFC). Under TIP, APDF's role is to identify and promote bankable projects to Ghanaian and external investors. APDF provides support with market analysis, financial appraisal, restructuring, privatization and sourcing of finances. Its principal clients are Class A firms. However, Group B and C firms have also received APDF services to date, but none of these has been involved in exporting. With APDF assistance, it is anticipated that companies will be able to move from Groups B and C to the Group A category.

APDF seeks to secure funding for firms with capital project requirements in the range of \$250,000 to \$7 million. The average loan in 1994 was for \$1.5 million. APDF considers smaller projects if they are unique in concept or demonstrate potential for significant effects on an industry. Projects are selected for their market potential and minimal environmental risk. As part of a loan package, APDF can arrange technical assistance support for the borrowing firm. For example, an expatriate expert, paid out of the loan funds, is now working with Astek.

Projects negotiated and signed in 1994 and 1995 cover a range of industries, including seafood, agro-processing, timber, plastics, and glass. APDF secured financing for Tetrapak juice packaging equipment at Astek, which has significantly increased its exports of pineapple and other fruit juices. APDF's wide range of industries is creating a solid core of high-end businesses as a base for further expansion of Ghanaian export. Firms funded by APDF have increased their labor forces by over 600 people in the first two years of TIP.

APDF's target under TIP is to develop bankable proposals and obtain financing for 32 to 40 projects. In 1994, eight project agreements were signed totalling \$8.9 million. For this achievement, the APDF/Ghana program received IFC recognition as the most successful program continent-wide in the number and amount of loans secured. Loan investments in 1994 are expected to generate \$7 million in export earnings and save Ghana \$4 million in foreign exchange over the next one to two years. In 1995, APDF is expected to obtain financing for 10 to 12 additional projects, with a total loan value of approximately \$15 million.

Table 3.2. Performance Indicators for TIP Contractors and Grantees

Contractor or Grantee	Projected	Actual to Date	Percent of Target
<b>AMEX International (end of current contract March 1996)</b>			
• Generate export earnings	\$30,000,000	\$30,100,000	100
• Assist existing NTE firms to increase export earnings by 20 %	50	24	48
• Assist new NTE firms to become active exporters	50	62	124
• Assist new to Ghana firms	20	6	30
• Provide trade and business assistance with cost-sharing	150-200	100	100
<b>Africa Project Development Facility (end of current contract July 1997)</b>			
• Number of projects funded	32-40	8	25
• Total investment funds	\$28,000,000	\$8,900,000	32
• Total value of exports	\$18,500,000	\$7,000,000	38
• Foreign exchange saved	--	\$4,000,000	--
• Incremental increase in employment	1,850	545	30
<b>International Executive Service Corps (end of current contract July 1997)</b>			
• Number of firms assisted			
• Associations strengthened	48	21	44
• ABLE marketing research projects	--	--	--
	12	13	65
<b>Aid-to-Artisans/Ghana and Aid-to-Artisans/US</b>			
• Total export revenues	\$875,000	\$282,541	32
• Number of artisans receiving technical training and support services.	1,280	772	60
• Number of new product lines to be developed	40	54	135
<b>TechnoServe, Inc.</b>			
• New groups of producers selling to exporters	6	7	116
• Existing groups increasing value of exports	18	16	88
• Value of NTEs from assisted groups	\$417,000	\$60,808	15

Notes: No performance indicators were identified for the local business associations: PAGE, PER and GAWB.

Sources: APDF [April 1995]. "Project Status Report — 4th Quarter CY 1994 and Beyond"; AMEX International [June 1995]. "Quarterly Report — January-March 1995"; IESC [1995]. "Quarterly Report — January-March 1995"; ATA/G and ATA [1995]. "Program Performance Report Quarter ending 3/31/95"; and TechnoServe, Inc. [1995]. "Project Status Report — January-March 1995."

### **3.2.2 ATA/G and ATA/US**

ATA/G provides assistance to handicrafts enterprises, especially in rural areas. Funding for ATA/G is in local currency through the Ministry of Finance and Economic Planning. ATA/G goals are to increase the number of artisans producing traditional handicrafts and to enhance their capacity to export. ATA/US, based in Connecticut, supports and complements the local programs of ATA/G. ATA/US receives funding in dollars from USAID through a subcontract with IESC.

ATA/G has four project areas: training and support services; product development; and marketing and institutional development. It has seven field staff to conduct training programs for different craft groups, such as weavers, brass makers, and wood workers. Training in product design and development is provided to both new entrants and experienced exporters. The project is expected to provide a minimum of 1,280 artisans with technical and business training by the end of 1996. Total participants in organized workshops to date number 772, of whom 480 are new beneficiaries. Field supervisors also provide one-on-one business training. ATA/G and ATA/US have also brought design experts from the United States to advise artisan groups on changes in consumer demand for handicrafts.

ATA/G was 73 percent above its targeted export sales in 1993-94 and 15 percent above the \$150,000 target for 1994-95 by the end of the third quarter.

The handicrafts industry in Ghana is primarily village-based and composed of atomistic and widely dispersed producers, although some activities associated with packing and completing orders take place in urban areas. These micro-enterprises generally have low levels of production efficiency. One difficulty for ATA/G is the timely delivery of merchandise for export orders. A Pier One order, which required large lots of assorted craft items, exceeded the delivery capability of existing artisan groups. Representatives from Pier One are expected to return to Ghana in August to place orders and hopefully producers will be able to fill any new orders in a timely manner. Buyers from Habitat and Target have also started to place orders in Ghana, suggesting that confidence is building for the Ghanaian handicraft sector.

ATA/G has been encouraging Ghanaian brokers/exporters to actively coordinate local production units when there are big orders to fill. There are approximately 20 such market intermediaries for handicrafts in Ghana. ATA/G has customized training programs for these intermediaries and now has a trade network in place to support local artisans. It also has showrooms in Accra and Kumasi to display arts and crafts products and to provide a place for "hands-on" training. Finally, with the assistance of ATA/US, ATA/G is linking Ghanaian artisans with American and European importers. Contracts have been successfully completed with Bauer International and Bamboula in the United States, El Puente in Germany, and others.

Over the first two years of TIP, ATA/G has been attempting to deal with one environmental issue that has affected export opportunities for two types of handicrafts. Firewood is a major input in the manufacture of beads and brass products. Gas kilns, commissioned by ATA/G last year at the request of one European importer to mitigate the local environmental impacts from these enterprises, unfortunately have not functioned well. As a consequence, local crafts people have returned to using their traditional kilns. ATA/G is presently working to address the problem.

The benefits of the ATA/G project are evident when visiting various villages. Handicrafts enterprises create employment opportunities for men and women, thus reducing the rate of rural-urban migration, providing opportunities for a stable family life, and creating further business opportunities. For example, a bead maker near Accra said that he had only one kiln to make beads at the start of TIP. He now

operates three kilns and employs ten workers. He believes that, with sufficient capital, he could employ ten master crafts people and up to 50 additional workers. Similar results were observed within a brass-making enterprise near Kumasi, which has gone from four to seven employees. The income levels of the crafts people and artisans have also increased, with multiplier effects in their communities.

### **3.2.3 AMEX International**

AMEX International provides firm-level export development services to Ghanaian clients. Its main focus is on Group A firms in the agribusiness, agriculture, wood products, and garment and textile manufacturing sectors. AMEX International has subcontracts for technical marketing services with Winrock International and High Value Horticulture (HVH), as well as with several Ghanaian consulting companies for financial management services. The contractor has a highly trained and motivated staff of 12 people who work with 30 to 40 companies. Formal training programs are also an important component of AMEX International's work with clients.

AMEX International's TIP targets are: (1) to increase export earnings to existing exporters; (2) to assist at least 50 existing companies to increase the nominal value of their exports by 20 percent per year; (3) to assist 50 new entrant companies to implement market development and export production plans; (4) to increase by at least 20 the number of new-to-Ghana foreign firms participating in the NTE sector as product buyers/input suppliers; and (5) to provide 150 to 200 NTE firms with trade support. To date, AMEX International has met or exceeded most of its targets. The only targets that have not yet been reached are: increasing existing firms' exports by 20 percent per year; and assisting 20 foreign companies to establish themselves in Ghana.

AMEX International is successfully providing technical assistance in product marketing to companies at several levels. It has, for example, researched a wide variety of potential off-shore markets for Ghanaian products. Through its Ghanaian subcontractors, it has introduced improved manufacturing and business systems to raise productivity in client companies. Business plans have also been developed to assist client managers in directing company activities.

**The Wood Products Sector.** Managers of wood products firms in Kumasi expressed their satisfaction with the technical assistance provided through AMEX International. Currently, an American consultant is working with three companies in the area on product development. Business plans and financial management systems have been developed and tested for these companies. HVH has conducted training sessions for firms in Kumasi, Accra and Takoradi on value-added wood products for a total of 53 participants. It has also produced reports on market demand for wood products in Germany and Japan.

**The Textile/Garment Sector.** AMEX International is working with Ghanaian designers, textile producers, and garment manufacturers to introduce Afrocentric products to world markets. In interviews with clothing designers, satisfaction was expressed with AMEX International's work.

**The Agricultural Sector.** AMEX International devotes a large portion of its resources to the agricultural sector. It has been very successful in opening an alternative channel for shipment of fresh pineapples to Europe. It is currently working with 40 to 60 pineapple companies. Of these firms, eight have farms of 100 to 500 acres and 40 have acreages between 25 to 40 acres.

AMEX International's assistance has been critical to the establishment of the Seafreight Pineapple Exporters Group (SPEG). The development of new seafreight export channel in 1995 has given pineapple producers a less expensive way of increasing their exports when compared to airfreight shipments. By providing timely feedback to individual exporters on the quality of their pineapples on arrival in Europe

and relating differences in quality directly to prices they receive from importers, the new system has also strongly encouraged participating pineapple exporters to concentrate on improving fruit quality and uniformity, packaging, and handling procedures. Future plans concentrate on expanding the number of SPEG exporters and expanding both exports of fresh pineapples and other tropical fruit, such as papayas and mangoes.

### **3.2.4 IESC**

**IESC** has two mandates: provision of technical assistance to the private sector through its Volunteer Executives (VEs) and strengthening of local business associations.

**Technical Assistance.** IESC expects to provide technical assistance to 48 companies by June 1997. Twenty-one companies have received assistance to date. Some companies are so satisfied with the results that they are requesting follow-up visits from their VEs.

Managing directors of assisted firms spoke highly of their IESC VEs, their experience, and the impressive impacts they made on firm operations. At Poly Products Ghana Limited, for example, box manufacturing has gone from 7 metric tons per month to over 160 metric tons per month after the firm restructured its production line layouts and inventory systems with the VE's assistance. Poly Products is now able to more adequately support SPEG exporters' needs for better pineapple export boxes. Additionally, in the wood products sector, one company reported that it would increase exports from 4 containers in 1994 to 12 containers in 1995.

IESC VEs assisted in strengthening client cost control and monitoring systems to enhance their export competitiveness. In some cases, IESC VEs have recommended equipment purchases and capital investments to bring existing plants up to export market standards. Multiple weaknesses in assisted companies have often meant that IESC VEs have had to provide expertise for a wide array of plant operations and to spend much of their time training personnel.

**Association Strengthening.** FAGE is receiving support from VEs in organization and management and from IESC in publication of its newsletter, *The Exporter News*. IESC is providing 75 percent of the upstart publication costs for the newsletter. After a one year assignment with FAGE, the VE concluded that significant amounts of resources, training and time are still needed to build up FAGE as an apex organization for exporters.

IESC is helping the Ghana Association of Women Exporters (GAWE) to support women's initiatives in marketing and management. IESC provides secretarial assistance, office space and has allocated \$25,000 from its budget to assist in the establishment of GAWE. Another \$50,000 will be available through IESC as GAWE implements its program. GAWE is receiving assistance under the FAGE umbrella.

IESC provides local firms access to its American Business Linkage Enterprise (ABLE) Program. Through ABLE, IESC has undertaken 13 projects linking Ghanaian firms to American businesses for market research, product development and equipment procurement. During TIP, IESC expects to complete over 20 such activities. Projects completed to date have dealt with exotic plants, dehydrated fruits, snails, and equipment sourcing. ABLE market reports are kept in the IESC library as resource materials for other firms.

### **3.2.5 TechnoServe**

TechnoServe has been working in Ghana since 1969. TechnoServe's role under TIP is to increase the number of rural producer groups participating in the N1E sector and to increase the value of products directly or indirectly exported by these producers. TechnoServe has exceeded its target for establishment of new groups of producers selling to exporters and is close to meeting its goal of increasing the value of exports from existing groups. Assisted groups have exported a total of \$49,523 through March of 1995.

After conducting an initial screening of export product possibilities with the assistance of an expert from HVH, TechnoServe selected three commodities — shea nuts, kola nuts and cashews — as targets for intensive assistance activities. Other commodities of interest are pineapples, black pepper and cassava chips. TechnoServe is making excellent progress in organizing producers into primary commodity groups and in providing managerial and technical expertise to strengthen their operations.

TechnoServe has worked effectively with the Ministry of Agriculture (MOA) and other organizations to provide technical assistance and support to producer groups. It is currently working with technical specialists from the University of Science and Technology and MOA's Plant Protection Service to rid existing cashew plantations of pest and disease problems.

TechnoServe has also assisted USAID with the organization of a trip for GOG officials and private-sector executives to Central and South America to study the establishment of an export marketing company based in part on TechnoServe's activities in Central America.

**Cashews.** Interviews with a cashew cooperative in the Brong Ahafo Region revealed that producers were very positive about the economic benefits received with TIP assistance. The first "buy/sell" program for cashews supported by the TechnoServe Loan Guarantee Program through the Agricultural Bank of Ghana resulted in producers receiving Cedis 565 per kilogram for their raw cashews versus last year's local market price of Cedis 250 per kilogram.

Another major accomplishment is the establishment of local retail outlets for high quality cashew seeds. The cashew groups have generated short-term profits, but, more importantly, they have sold enough seeds to produce 300 tons per year of cashew nuts in four to five years. These new trees have the potential to double Ghana's current cashew production and increased revenues will be realized from them long after TIP ends. TechnoServe has also sponsored a trip to Nigeria for key members from each participating cooperative to study cashew production there.

**Shea Nuts.** TechnoServe conducted a "buy/sell" program in the Upper West Region for 250 shea nut collectors, most of whom women. The program was a success and purchases surpassed the buying quantities projected. Producers received a 25 percent increase in price, as compared to prices received for their nuts under previous marketing arrangements.

**Kola Nuts.** TechnoServe is working with eight groups of kola producers comprising 482 members and one local broker to fill trial orders from an American pharmaceutical firm for dried kola. This work benefitted from TechnoServe-sponsored field visits to Nigeria where participants studied kola production and processing techniques. However, one of the biggest obstacles to exporting kola from Ghana at present has proven to be the pervasive use of pesticides banned in the United States to protect kola nuts after harvest. In an effort to solve this problem, TechnoServe is working with producer groups to promote sun-drying of kola as an alternative to chemical preservation techniques.

**Pineapples.** TechnoServe has begun work with three groups of pineapple outgrowers to establish a contractual marketing arrangement with Astek. The contract establishes a base price of Cedis 85 per kilogram for outgrower pineapples if they can deliver minimum shipments of 100 metric tons per week to the plant. This constitutes a premium to outgrowers of Cedis 5 per kilogram over Astek's normal plant gate price. In general, outgrowers are pleased with the program and want to expand production to meet contract requirements.

### **3.2.6 Institutions Supporting the Private Sector**

TIP calls for the development of two private sector institutions, PEF and FAGE, to support NTE businesses. GAWE is a new entity which IESC has chosen to support.

**PEF.** PEF was incorporated on 24 January 1994 as a private foundation and inaugurated in January 1995. The purpose of PEF is three fold: advocacy; promotion; and establishment and management of the Accra Business Center. PEF has only recently started operations and is still hiring professional staff and renovating its offices. The Director-General assumed his position in November 1994. The Director of Finance has been hired but is not yet in place. The Marketing Director and other professional staff are expected to be on board by August 1995. J.S. Addo, a local management consulting firm, is helping PEF to develop an operational plan and a financial accounting and control system.

PEF has representatives from four founding member organizations on its Board of Directors: the Association of Ghana Industries; the Ghana National Chamber of Commerce; the Ghana Employers' Association; and FAGE. Additional board members are the Ghana Association of Bankers and USAID. PEF's annual budget is \$700,000, of which two-thirds is allocated to general operations and the rest to special research and outreach projects.

PEF has moved quickly to address several key issues facing the private sector. In support of its advocacy role, PEF contracted and completed four studies on issues affecting the advancement of the private sector: private sector and the 1995 GOG budget; constraints affecting the private sector; an analysis of the interest rate policy; and the value added tax. Another study to be commissioned in the near future is on the role of public and private banks in private sector development.

PEF plans to host two tours for Ghanaian business executives to the Republic of South Africa and Southeast Asia in 1995 as its first promotional activity. Since PEF has only recently started operations, significant steps have yet to be taken to establish and manage the Accra Business center.

**FAGE.** FAGE serves as the apex organization for 13 commodity associations. Its purpose is to assist these associations with education programs, marketing information and office facilities to improve their export market operations. FAGE plans to be a facilitator in encouraging team participation to resolve problems facing the private sector.

The office currently has six staff members led by an Executive Secretary who reports to the Board of Directors. FAGE intends to structure its operations on the CINDY model program developed with USAID support in Costa Rica. The concept is to create opportunities for private sector companies and help solve problems.

FAGE is in the very early stage of its development. The organization was slowed in its establishment because of delays in release of funds from MFEP.

**GAWE.** The objective of GAWE is to provide technical assistance, business training and market development for its membership. Started in 1992 with seven members, GAWE membership now numbers over 250. Members pay an initial registration fee and then an annual membership. GAWE has received strong support for its activities in both Europe and the United States. A trade fair is planned in July 1996 to bring interested companies and individuals to Ghana to meet with members of GAWE and examine their products.

### **3.3 MAJOR ACHIEVEMENTS AND REMAINING CONSTRAINTS**

#### **3.3.1 Development of Technical Assistance Models for the NTE Sector**

TIP was designed to implement and test three distinctly different technical assistance models to promote NTE expansion in Ghana: the APDF model, the AMEX International/IESC model, and the TechnoServe/ATA/G and ATA/US model.

- The APDF model focuses on provision of a complete package of pre-loan analysis, financial facilitation and post-loan technical services to established firms without any *a priori* judgements on the specific nature of the product or commodity to be produced.
- The AMEX International/IESC model relies primarily on provision of highly skilled technical experts to assist client firms in affecting improvements in the productivity and efficiency of their operations. This model is not predicated on the contractors' having direct access to financial resources for support of client activities. It operates by pre-selecting certain sectors as targets of concentration.
- The TechnoServe/ATA/G and ATA/US model concentrates on organizing producers at the grassroots level into groups in order to effectively participate in the export marketing activities.

While it is too early to make any definitive judgements about the relative success of the models tested, the different approaches have allowed TIP to reach a broad spectrum of existing and potential Ghanaian exporters with well-tailored assistance interventions in a remarkably brief period. Close study of the comparative strengths and weaknesses of these models over the remainder of TIP is likely to provide valuable information on the most appropriate interventions in the NTE sector in Ghana.

#### **3.3.2 Development of a Core of Export Businesses**

TIP interventions under the private sector component has created a number of pilot activities, some of which appear ready for rapid growth and expansion. It is expected that successful pioneering firms will set examples for others to follow, by making them aware of NTE opportunities and showing them ways to earn profits.

TIP has developed the strongest core of export companies in the agroindustrial sector. AMEX International's work with SPEG has opened a promising new market outlet for fresh pineapple exporters. If SPEG can be solidified as a for-profit organization, it can serve to facilitate the export development of other agricultural products such as papayas, mangoes and limes. IESC is playing an effective supporting role with placement of VEs in companies assisted by AMEX International and APDF. Seafood companies have also benefitted from this collaborative effort by the contractors.

AMEX International's recent support to the textile and garment sector is also worth noting. The sector is attractive and the potential alliance of Ghanaian designers, Akasombo Textiles and Volta Garments of



Ghana appears to offer an opportunity to supply niche market products in the United States as well as other markets.

Another successful example is TechnoServe's grassroots development programs for cashew, shea nut and kola producers and their marketing groups. The benefits from these producer marketing organizations will only be realized after completion of the project. A more immediate impact could be with TechnoServe's work with pineapple outgrower cooperatives facilitating their tie-ins with SPEG exporters and Astek.

ATA/G's effort to mobilize a core group of reliable artisans in the handicrafts industry has not been so successful. These groups are more atomistic and artisans in the past have not had a tradition of acting cooperatively, making it difficult for them to fill the large marketing contracts recently offered by American buyers.

### **3.3.3 Improved Capacity to Market NTEs**

**Increased NTE Market Information.** The project has strengthened linkages to the global market for timely market information and price discovery. For instance,

- AMEX International and IESC have worked effectively to develop overseas contacts for Ghanaian firms. Winrock International and HVH, serving as subcontractors, have been important in increasing the knowledge regarding foreign markets. HVH has also provided product inspection service in Europe and market intelligence for Ghanaian exporters.
- AMEX International assists TechnoServe in providing CIF price information on kola nuts.
- ATA/US is assisting artisans to strengthen their linkages with buyers in the United States and Europe.

**Market Facilities and Product Handling.** TIP has been effective in introducing new export shipment processing procedures at Tema Harbor and Kotoka Airport. AMEX International has been particularly effective in improving the handling of perishable commodities and in training exporters in the proper packing and pelletizing of fresh pineapples. Private sector companies, through their involvement with TIP, are more cognizant of the importance of proper grading and handling of produce and are investing in new processing equipment and cold storage facilities.

**Increased Buyer Knowledge of NTE Products.** Significant efforts have been made by TIP contractors and grantees to introduce overseas buyers to Ghanaian products. Examples include: TechnoServe's facilitation of a sample shipment of dried kola nuts to an American buyer; the feedback system for trial seafreight shipments of fresh pineapples, yams and mangoes established by AMEX International and HVH; and the ATA/G and ATA/US Buyers Program where sample handicrafts are presented at gift shows and to targeted buyers.

### **3.3.4 Improved Ability to Produce to Export Market Requirements**

**Increased Production Volume.** TIP contractors and grantees have made significant progress in increasing product availability and in improving the productivity of plant operations. For example, APDF, AMEX International, IESC and TechnoServe have assisted Astek with the rapid expansion of production and export of fruit juice products and with the opening of a secondary activity with the Astek bottled water line. ATA/G has assisted microenterprises to expand production, creating a demand to increase the labor force by as much as 50 percent in certain cases. IESC VEs have had a spectacular

impact on productivity in box manufacturing at Poly Products Ghana Limited and AMEX International provided technical assistance to the wood products sector to improve recovery rates in processing.

**Product Development.** TIP is also effectively encouraging innovations in product development. AMEX International has been successful in efforts to assist with developing new product lines for semi-processed wood products. Amex International has also worked successfully with the textile and garment industry to enhance Afrocentric design capabilities. TechnoServe has been equally effective in assisting with the establishment of a community-based cashew processing facility. ATA/G's undertaking to meet the challenge of the changing demands in export markets for new handicraft product designs has met with success. ATA/G has also collaborated successfully with GRATIS to solve technical production problems such as: increasing uniformity in brass products, finding new ways to produce glass powder for bead manufacturers, and improving high temperature kiln-firing methods for ceramic products. Finally, IESC's efforts to develop dehydrated pineapple products and improve boxes for export of horticultural exports have paid off.

**Improved Product Quality and Timeliness.** TIP contractors and grantees are providing effective technical assistance to improve product quality and timeliness in selected companies. AMEX International is assisting with the establishment of more uniform size and quality standards for fresh pineapples shipped through SPEG and airfreight exporters. It also provided an irrigation specialist to examine methods of reducing fluctuations in the supply of pineapples and other high-value produce for export. ATA/G is working to improve quality control of handicraft products by pre-screening them before orders are shipped, and is assisting local brokers with collection of small lots to fill large orders. TechnoServe is assisting shea nut and cashew producers with "buy/sell" arrangements to improve timeliness in buying and storing operations. IESC is improving the quality of furniture and agricultural products, as well as packaging materials.

**Improved Sourcing of Materials, Equipment and Services.** IESC is providing companies with information on American markets for selected products through its ABLE program. IESC VEs are providing information on equipment and services, even after they return home. AMEX International is assisting with development of business plans for exporters and local input suppliers. TechnoServe has facilitated the introduction of improved cashew seeds from Brazil, Nigeria and El Salvador, and is working to improve farmers' access to appropriate agro-chemicals to control diseases in cashew production. Finally, ATA/G has established a materials bank for crafts people to identify better sources of dyes and brass.

### **3.3.5 Increased Capacity to Obtain Financing**

TIP interventions have generally been more successful at improving firms' abilities to produce to export market standards and facilitating the sourcing of needed inputs for Ghanaian enterprises, than at mitigating the commercial financial constraints on emerging export firms. Two notable exceptions are APDF's success in assisting a selected number of companies to obtain long-term financing from commercial banks and off-shore sources, and TechnoServe's loan guarantee fund to support "buy/sell" programs.

According to interviews, formal finance in the NTE sector remains confined to a very limited number of well established large exporters. Accordingly, investment resources consist predominantly of funds obtained from friends and family, retained earnings from other businesses, and reinvestment of profit from export operations. Credit constraints have prevented many exporters from operating on a sufficiently large scale. In particular, start-up NTE firms have generally been able to finance only small initial shipments using funds obtained from family and associates. Other firms are reinvesting as much

of their profit as they can, but with self-finance they can grow only at the profit rate (see, for instance, Levy 1994 and Duggleby 1994).

It must, however, be noted that many NTE companies are expanding export sales -- in some cases at rates of 50 to 100 percent (Levy 1994). Thus, while the absence of formal credit is an important constraint for exporters, such a constraint should not be overstated, particularly in relation to the many other infrastructural and technological constraints facing the NTE sector.

### **3.3.6 Improved Services by Trade and Professional Associations**

TIP has been instrumental in establishing four new private sector entities: PEF, FAGE, GAWE and SPEG. These organizations have been established to provide a wide range of services, including advocacy, management and technical training, market information, and marketing services. Trade and professional associations have been established to create sustainable institutions that will continue to provide services to NTE participants after TIP assistance ends. At present, these organizations are too new to be fairly judged as effective advocates or as technical resources for solving sector-specific problems. However, they appear to have potential for providing useful services to their members.

### **3.3.7 Socioeconomic Impact**

Interviews conducted for this evaluation indicate that the impact of TIP activities on local employment and income has been positive for firms with the ability to implement the structural and managerial changes suggested by TIP contractors and grantees. In addition to increasing their employees' salaries in the last two years, many of the assisted firms interviewed have expanded their work force, sometimes several fold.

Many NTE activities supported by TIP, such as handicraft production, are highly labor-intensive. Similarly, due to the proliferation of outgrower arrangements, especially in the pineapple sector, many of the agricultural NTEs have typically been produced by small farmers using highly labor-intensive technologies. This finding demonstrates that TIP activities have had a positive socioeconomic impact on the local economy in terms of employment and increased income. In particular, this conclusion does not support the perception that a small number of local NTE firms endowed with financial, technological, managerial, and marketing advantages have monopolized TIP assistance, with no beneficial impact on employment and the most disadvantaged segments of the population.

Quarterly reports from AMEX International, IESC and TechnoServe for the first quarter of 1995 demonstrate a new emphasis in recording both direct and indirect effects of TIP on firm-level employment, income and gender orientation. In addition to other indicators described in Chapter 4, it is expected that such emphasis will better capture the socioeconomic impact of TIP activities.

## **3.4 RECOMMENDATIONS**

### **3.4.1 Market Development**

Most TIP interventions have required hands-on assistance to NTE enterprises at a dual level: first, in breaking into new markets, and second, in their attempts to provide reliable supplies with consistent quality. There is agreement that facilitating market development through market information and promotion of sourcing and marketing arrangements with foreign firms is likely to pay off. For this reason, it is recommended that TIP contractors and grantees intensify their efforts to strengthen linkages

with importing firms in destination countries. These efforts should complement similar activities being carried out by GEPC.

#### **3.4.2 Strengthening Private Sector Exporter Associations**

With the exception of the technical assistance that has been provided to PEF, limited TIP resources have been allocated to trade and professional associations. It is recommended that additional resources be devoted to assisting FAGE, GAWE, and major exporter associations (e.g., yams, other assorted food products, and horticultural products) in institutionalizing their functions. Assistance to these organizations may include: development of a long-term strategic development plan; preparation of annual work plans with prioritized lists of activities and measurable performance indicators; and promotion of the organizations as legitimate representatives of the interest of the NTE sector worthy of continued donor support.

#### **3.4.3 Strengthening Producer/Exporter Organizations**

TIP should continue its technical assistance efforts to firmly establish SPEG as a model for-profit, self-sustaining, producer-level organization by TIP's PACD. Technical assistance provided to SPEG might expand to cover three key areas: setting minimum product size and quality standards and establishing common fruit handling procedures for producers wishing to market under the SPEG program; promoting brand identification for Ghanaian pineapples in European markets; and establishing a minimum fee/membership dues structure for SPEG that will allow it to cover its organizational costs after TIP ends.

#### **3.4.4 Strengthening Outgrower Schemes**

Preliminary evidence from Ghana and USAID experience in other countries indicate that contract farming has been an effective institutional mechanism for generating broad-based economic growth through NTE expansion. This conclusion suggests that more intensive technical assistance to companies that have concentrated on commodities produced through outgrower schemes would create new opportunities for small farmers, thus offering a high social and economic payoff. It is also recommended (see Chapter 3) that MOTI's Trade Policy Unit (TPU) conduct a study on contract farming schemes in the NTE sector in Ghana. Such a study will develop a more systematic understanding of contract farming arrangements and identify actions to be supported by TIP contractors and grantees to enhance the sustainability of such schemes. Technical assistance could be provided to similar arrangements in non-agricultural exports, such as handicrafts, garments and furniture.

#### **3.4.5 Export Finance**

As detailed in Chapter 2, it is recommended to examine some of the options suggested during the April 1995 export finance roundtable, to investigate how PEED lending terms might be modified to better accommodate non-traditional exports, and to explore the suitability of the various other solutions that have been recommended in TIP reports devoted to the export finance issue.

## **CHAPTER 4 MONITORING AND EVALUATION**

### **4.1 OBJECTIVES AND DESIGN**

As stated in the PAAD, the intent of the TIP Monitoring and Evaluation (M&E) Plan is to track and assess program performance and impacts. The planned M&E system was to provide periodic feedback from several sources on progress towards the attainment of TIP's purpose- and output-level indicators. The information derived from the M&E system was to be used by USAID/Ghana, the GOG, and the private sector to make mid-course adjustments, as necessary, as well as to report on results to USAID/Washington.

As TIP is divided into public sector and private sector components, the M&E system, as designed, allocates responsibilities differently across the two components.

- USAID/Ghana is to have exclusive responsibility for tracking purpose-level indicators measuring "people"-level impacts through increases in employment and income. These purpose-level indicators are to be measured by USAID/Ghana through directly contracted surveys and evaluations.
- TIMU is to be in charge of monitoring and evaluating the public sector component, with assistance from other key GOG entities, including TPU, GEPC, CEPS and MFEP.
- Monitoring and evaluation of private sector activities is to be led by the Trade, Agriculture and Private Sector Office (TAPSO) of USAID/Ghana, with assistance from Ghanaian business and trade associations and long-term technical assistance personnel assigned to TIP.

USAID/Ghana is to have overall responsibility for the M&E system and is to ensure review of all public and private sector reports. TAPSO is to supervise the implementation of the TIP M&E Plan, with the assistance of the Mission's Program Economist and Monitoring and Evaluation System Manager.

Monitoring includes tracking and reporting program outputs and conducting periodic surveys. Monitoring reports on results achieved are to provide the baseline and follow-on data required to measure achievement of planned outputs, data for the annual USAID/Ghana Assessment of Program Impact (API), and information on people-level impacts.

For the public sector component, TIMU is charged with developing a GOG reporting system and a computerized database to record statistics needed for monitoring TIP activities. The system specifies responsibilities for monthly reporting among the various participating ministries. Reports are to include the data necessary for measuring TIP program and impact indicators, as well as any additional data needed by TIMU and the individual ministries.

The monitoring of TIP private sector activities is to be led by USAID/TAPSO, with the assistance and guidance of the long-term personnel contracted to provide technical assistance and training to the private sector. Participation of key private sector organizations, including AGI, GNCC, FAGE, and a number of relevant trade or industry-specific associations is seen as an important element of the overall private sector monitoring effort.

In addition to providing overall supervision, USAID/Ghana is to contract and supervise the design and implementation of baseline and follow-up surveys to provide the basic information from which to measure

increased NTEs and the changes in income and employment of men and women engaged directly and indirectly in NTE activities over the life of the program. The intent of the TIP M&E system is to design and implement through contractors three surveys: a baseline survey, initiated within six months of program start-up; a mid-term survey at the beginning of Program Year 3; and a final survey in Program Year 5. All three surveys are to follow essentially the same design, so as to be comparable across indicators.

Finally, the TIP M&E Plan design includes two special types of studies: sector studies and border trader studies. Sector studies focus on four priority sectors: food products; wood products; apparel and textiles; and giftware and decorative accessories. The intent of the M&E Plan as designed is to contract for a study team of four consultants, led by a trade development specialist. The team is to conduct these studies in Program Year 1 and then repeat the studies in Program Years 3 and 5. Information gathered from the initial studies is to provide the baseline description of each sector and subsequent surveys are to facilitate the evaluation of TIP impacts over time and by sector. Particular attention is to be paid in these sector studies to gender-disaggregated impacts and gender-related constraints.

The border trader studies are to focus on men and women traders engaged in marketing Ghanaian goods overland with neighboring countries. The studies are to assess: the potential impacts of TIP on the employment and income of border traders marketing goods to neighboring countries; the relationship of further inclusion of these traders in TIP interventions to increasing exports and foreign exchange earnings; and potential TIP policy and administrative reforms and projected interventions to facilitate non-traditional exports by border traders.

The border trader studies are to be conducted in Program Years 1, 3 and 5 to permit assessments of the impacts of TIP policy and regulatory changes on border traders. Eighty traders are to be interviewed at each of three border crossings. The sample is to consist of equal numbers of men and women and equal numbers of small versus medium and large enterprises.

## **4.2 IMPLEMENTATION**

### **4.2.1 Public Sector Reporting and Analysis**

M&E activities within the public sector are being implemented in line with the data collection system envisaged when the PAAD was developed. Data being collected match the program performance indicators set out initially, with two exceptions. The first indicator relates to the times needed for private exporting firms to register with various government agencies. As this requirement has been made voluntary as a result of TIP policy reforms, the monitoring indicators ceased to be relevant and were eliminated.

With respect to the indicator on foreign direct investment, the APIs report on the value of additional investment from assisted firms. However, this information pertains only to the "higher volume" firms and is not broken down into investment derived from domestic and foreign sources.

Reports from TIMU present a detailed and comprehensive record of TIOC's activities and the annual reporting from other organizations such as GEPC, GIPC and EPA contains pertinent information on program implementation activities.

#### **4.2.2 Private Sector Reporting and Analysis**

Quarterly reporting from contractors appears to be the main vehicle for USAID/Ghana's compilation of firm-level data on changes in the export sector and on people-level indicators. This information is supplemented with commodity-level data provided by GEPC. However, there is no indication that substantial data inputs or analyses on the NTE sector are coming from private-sector professional and trade associations, as initially envisaged.

Increasingly concerned about the comprehensiveness of people-level information provided by the M&E system, several USAID/Ghana staff members have been testing methods to make the data collection effort more complete. Recently, changes have been made in the formats used in selected contractor quarterly reports. These changes have been directed at shortening the total documentation required, but have been made more relevant to Mission concerns about people-level indicators.

Quarterly reports from AMEX International, IESC, and TechnoServe for the first quarter of 1995 demonstrate this new focus in recording both the direct and indirect effects of TIP on firm-level employment, incomes and gender orientations. Efforts to capture backward and forward linkage effects of increased NTE activities are also evident in these reports.

#### **4.2.3 Baseline and Mid-term Contracted Studies**

The baseline survey envisaged in the PAAD design was submitted to USAID/Ghana in October 1993 by the Marketing and Social Research Institute Limited. In addition, two reports on gender considerations have been completed (Ghanaexim, April 1994 and Morris, December 1994).

The mid-term survey, scheduled for the beginning of Program Year 3, has been rescheduled for mid-1995. Mission staff are currently finalizing the terms of reference and survey instruments. In addition to documenting TIP direct economic effects, greater emphasis is placed on capturing the backward and forward linkages of increased NTE activity.

#### **4.2.4 Special Studies**

None of the special studies detailed in the PAAD has been carried out. However, several border trade studies have been completed or are being planned independently of TIP. Two separate consulting missions were in Ghana formulating implementation plans for regional border trade studies financed by USAID/Washington during this mid-term evaluation. USAID/Ghana staff are currently reviewing all border trade studies completed to date and those being planned to determine if any additional efforts need to be undertaken.

### **4.3 CONCLUSIONS**

If the current M&E system for TIP is assessed against its initial objectives, it must be concluded that the program has been largely adequate. Reporting has been satisfactory on the public sector side, as well as with most of the contractors and grantees. The principal exceptions appear to be reporting on *direct foreign investment* and on the handicrafts sector from ATA/US and ATA/G.

In the former case, it appears that TIMU has not had access to sufficient reporting on growth in direct foreign investment to present comprehensive documentation to USAID/Ghana. A GIPC report was

presented to the evaluation team detailing investment flows, but there is no evidence that such information is being communicated to TIMU or incorporated into M&E reports in the required manner.

In the handicrafts sector, reporting has been limited due to ATA/G's staff limitations and the diffuse nature of the activities undertaken to date. However, assistance from USAID/Ghana staff should bring ATA/G's quarterly reporting over the balance of the grant period in line with the reporting of the other contractors and grantees.

With respect to the larger question of whether TIP program indicators can effectively capture the dynamic changes of the Ghanaian economy due to increased activity in the NTE sector, the following issues should be noted.

#### **4.3.1 Income and Employment Indicators**

TIP performance indicators with respect to employment and worker income growth appear to be based on the underlying hypothesis that employment and worker incomes will increase *directly* and in the *short term* as a result of improved NTE performance.

While studies conducted in other countries tend to lend credence to the hypothesis that sectoral employment and worker incomes will probably increase over the long term as NTE expansion proceeds, it is less clear that the same effects will emerge in the short term — for instance, over the life of the TIP program. Given the export finance constraints of many entrepreneurs, it seems equally plausible that the more significant short-term impacts of increasing NTE growth would be increased productivity per worker and increased use of equity capital to finance expansion activities.

The above analysis suggests that an alternative hypothesis could be postulated for empirical evaluation, namely, that many of the short-term benefits from TIP are likely to be expressed in terms of productivity gains, which lower the unit costs of Ghanaian exports in world markets, and in firms with increased capacity to use equity capital to finance their NTE activities. In many cases, firms may indeed be capturing significant benefits from TIP assistance but have not yet reached the point where they need to increase the number of their employees or feel sufficiently confident to give permanent wage increases to their workers.

With respect to gender changes, it would perhaps be useful to augment gender monitoring indicators in the future to directly and separately reflect the extent to which women are moving into ownership and/or decision-making roles with the participating NTE firms and whether their conditions of employment in equivalent positions are comparable to those of their male colleagues.

#### **4.3.2 Measurement in Nominal Terms**

Financial figures provided by the M&E system would be more informative if they were revised to report growth in *real* terms for both dollar-denominated export values and domestic income growth on a per capita basis.

With respect to domestic income changes, reporting in real terms would greatly improve the reviewers' ability to evaluate what is actually occurring in the NTE sector, given the current pressure to maintain or increase per capita income and effective purchasing power. Indicators presented for changes in per capita incomes in the NTE sector could be deflated using an appropriate consumer price index and compared with income figures for other sectors, and with other figures depicting trends in the general economy.



### **4.3.3 Capturing the Indirect Effects of an Export-Driven Growth Strategy**

Until recently, most of the data collected under the TIP M&E system were oriented toward measuring the *direct* effects of export promotion activities. However, it is important to generate a more comprehensive documentation on how the increased emphasis on NTE activities is playing out in the general economy, not just at the level of the individual firms receiving TIP assistance. Improved data collection and quantitative analyses on the direct and indirect impacts of TIP activities could also be used to present a solid empirical case that actual economic and financial returns to the Ghanaian economy realized with TIP assistance to date justify continued and expanded GOG support to an export-driven growth strategy.

## **4.4 RECOMMENDATIONS**

### **4.4.1 Productivity Indicators**

Appropriate industry-specific indicators on productivity per worker should be devised and tested using data already being collected on participating firms. Such indicators would reduce the need to rely on the hypothesis that total employment and workers' per capita income will necessarily grow significantly in the short term.

### **4.4.2 Balance of Payments Effects**

There does not appear to be any reporting mechanism under the present M&E system that specifically links TIP performance with effects on Ghana's balance of payments. Yet the major advantages claimed for providing NPA to developing countries are that it will stimulate implementation of significant economic reforms while providing an opportunity for mitigation of a country's balance of payments problems. It is recommended, therefore, that future M&E reporting contain a specific section on the effects of TIP resources on Ghana's balance of payments.

### **4.4.3 Capturing and Quantifying TIP Multiplier Effects**

It is recommended that TPU conduct a study on the multiplier effects of TIP assistance to the NTE sector. Given the highly specialized nature of the issues at hand, it is expected that expatriate input will be needed to conduct such a study. The costs and implementation schedule will of course depend on the final terms of reference and, more particularly, on whether local experts can be identified to complement outside technical assistance.

## **CHAPTER 5 ENVIRONMENTAL MONITORING**

### **5.1 OBJECTIVES AND DESIGN**

The Initial Environmental Examination for TIP states that the program is not expected to have direct significant impacts on threatened or endangered species or critical habitat, but that the overall objective to provide the support for a rapid expansion of non-traditional exports is liable to have long-term impacts (positive and negative) on the natural resource base. It was recommended that four baseline environmental impact reviews be carried out in each of four sectors: commercial agriculture, mining, fishing, and forestry. Such reviews would identify potential long-term impacts of TIP policy and/or regulatory reforms and provide a baseline on the status of Ghana's existing natural resource base. A special tropical forestry environmental assessment was also to be carried out to mitigate the impact on any primary tropical forest areas which might be affected by TIP activities over the long term.

Potential long-term impacts were to be identified in an Environmental Monitoring, Evaluation and Mitigation Plan (EMEMP), which was to pass on analyses of changing environmental conditions and mitigation recommendations to the appropriate GOG body, which would ensure that corrective measures be taken to prevent any further negative environmental degradation.

The EMEMP was to focus on four general areas: production and processing of horticultural products, particularly pineapples; sea-salt extraction; fish and seafood industries, particularly production of shrimps and prawns; and furniture and other wood products. The Environmental Protection Agency (EPA) was the coordinating agency selected to implement the EMEMP environmental monitoring, analysis and mitigation agenda.

### **5.2 CONCLUSIONS**

#### **5.2.1 Program Management**

Assistance obtained from the REDSO/WCA Regional Environmental Advisor and a recent World Resource Institute technical assistance team has been effective in providing technical oversight in areas where USAID/Ghana lacks sufficient in-house expertise, and in isolating specific reasons why certain elements of the EMEMP have not been working as effectively as was hoped. However, using TIMU as an intermediary management entity between USAID, MFEP and EPA in resolving some of EMEMP's problems has created some confusion regarding financial and general management responsibilities.

#### **5.2.2 Monitoring Activities and Indicators**

Several of the technical reports on EMEMP have criticized the initial design in terms of the relevance of EMEMP data collection activities to demonstrating a direct causal relationship with ongoing TIP activities, and in terms of the ability of the current system to generate information with any immediate use to policy-makers.

EMEMP monitoring, evaluation and mitigation agenda, established in 1992, was effective in identifying monitoring and evaluation needs with respect to horticultural and tree crops, fish and seafood products, and wood products. However, while it identified salt extraction enterprises as a target of EMEMP interest, it did not do so for textile and garment enterprises.

TIP activities directly related to salt extraction have only just begun, and have involved provision of managerial consulting to only one company — Panbros Salt Limited. This means that, over the life of TIP, there may not be any significant direct or indirect causal relationships between TIP activities and salt-related environmental degradation. Conversely, some TIP participants have been working with local textile and garment enterprises since the TIP design was completed and more work in this area is anticipated by AMEX

International and ATA/G. These two examples suggest that more consideration should be given to the possible need to readjust the EMEMP to deal with the changing circumstances.

### **5.2.3 Relationship to GOG's National Environmental Action Plan and Other Donor Efforts**

The EMEMP has tried to fulfill two different agendas: to develop a minimum set of activities to meet TIP conditionality; and to integrate EMEMP activities into GOG's larger agenda as defined in the National Environmental Action Plan and other donor-supported environmental activities. However, with only two years remaining in the life of TIP, there is a pressing need to define specific programmatic steps to achieve this dual objective.

## **5.3 RECOMMENDATIONS**

### **5.3.1 Review and Redefinition of EMEMP**

Steps should be taken to fund a consulting team of international and local experts to assist EPA in reviewing and redefining the EMEMP. The scope of work should emphasize the following three tasks:

- Define a *minimum* set of environmental indicators necessary to isolate environmental changes that are *causally* linked to actual TIP activities.
- Develop a specific, time-phased operational environmental plan to ensure that adequate time-series and cross-sectional monitoring will take place and that data collected will be appropriately analyzed and converted into useable information.
- Develop a two-year budget supporting the operational plan over the remainder of the TIP program.

### **5.3.2 Program Management**

It is recommended that TIMU be relieved of any financial management responsibilities with regard to the EMEMP; that a unified EMEMP budget plan covering the next two years be agreed to by MFEP and USAID; that support funds be disbursed directly to EPA; and that financial allocation be tranced into quarterly disbursements.

### **5.3.3 Representation at TIOC**

Two representatives of the Ministry of Environment, Science and Technology should be assigned permanent TIOC seats: one representative with Deputy Minister status and the Executive Director of EPA. The more senior representative would deal with issues of EMEMP integration into the National Environmental Action Plan; the other representative would report on EMEMP implementation and performance indicators.

### **5.3.4 Improving EMEMP Performance Monitoring**

- Given the need to provide evidence that satisfies conditions precedent to disbursements of NPA funds, the external performance evaluation schedule for EMEMP should be revised to include an evaluation in November-December 1995. Subsequent evaluations should follow a six-month schedule.
- Two independent environmental specialists, one Ghanaian and one expatriate, should be contracted by USAID/Ghana to conduct all EMEMP evaluations, with the REDSO/WCA Regional Environmental Advisor and the TIP/EMEMP Coordinator serving only as advisors and facilitators.
- Future requirements for fulfilling TIP conditionality should be based on EMEMP progress toward achievement of the time-phased technical and program management benchmarks set out in the revised operational plan.

## **CHAPTER 6**

### **PROGRAM AND PROJECT IMPLEMENTATION AND COORDINATION**

#### **6.1 ACHIEVEMENTS**

USAID/Ghana has overall responsibility for managing TIP, including negotiation of agreements, and management and oversight. In performing these functions, USAID/Ghana has demonstrated a high level of interest in TIP, showing strong commitment and devoting valuable time and energy to program activities.

TIOC is TIP's highest level decision-making body. TIOC is perceived as a dynamic committee that has actively promoted TIP objectives and effectively maintained the political support needed to achieve those objectives.

TIOC's decisions and day-to-day activities are implemented by TIMU. TIMU is perceived as an effective and task-oriented organization. Management of the public sector component has required a high degree of coordination among at least eight ministries, along with numerous departments and other public sector entities directly or indirectly involved in the NTE sector. In this context, TIMU's success in implementing TIOC's decisions is not only due to its strong technical and management capabilities, but also to the close collaboration and direct dialogue that it has developed with those institutions.

Several activities are cited as having positively affected coordination between the public and private sector components. The most important of these are the field visits made by TIOC members to export centers and selected NTE enterprises. To keep TIOC members well-informed of developments occurring at the enterprise level or with vital NTE infrastructure and services, TIMU has recently organized a series of field visits for TIOC members to export centers in the Accra-Tema metropolitan area and in regional centers in the first half of 1995. Field visits were made to enterprises in Tema and Accra, pineapple farms in the greater Accra region, and wood processing industries in Oda. Visits to Takoradi and Kumasi are planned for the last quarter of 1995.

TIP quarterly and annual reports have provided valuable information to program participants.

#### **6.2 OUTSTANDING ISSUES**

##### **6.2.1 Coordination Among Public Sector Participants**

TIMU has successfully coordinated all export liberalization activities, but has not paid as much attention to investment questions. This shortcoming may in part be explained by the fact that FIAS technical assistance to GIPC has been managed directly by USAID/Ghana. The close relationship between TIMU's trade activities and investment issues and TIMU's accumulated experience in removing constraints to NTEs point to the conclusion that TIP would benefit from a closer collaboration between TIMU, FIAS and GIPC.

The rationale for strengthening the collaboration between GEPC and GIPC promotion activities has been developed in Chapter 2 and will not be repeated here.

### **6.2.2 Coordination Among Private-Sector Contractors and Grantees**

Interviews conducted for this evaluation indicate that information sharing among private sector contractors, grantees and USAID/Ghana staff has been largely informal in one-on-one conversations over the past year. Quarterly and annual reports of contractors and grantees are not routinely distributed among all participants and no regular meetings are scheduled to formally share lessons learned or analyze opportunities and constraints.

### **6.2.3 Coordination Between the Public and Private Sector Components**

There is a clear distinction in the original TIP design between the private and public sector components. The latter is directly coordinated by USAID and the former by TIMU. TIOC serves as a bridge between the two components. To keep TIOC informed about progress in the private sector component, TIMU receives quarterly reports from each private sector contractor and grantee and holds meetings with them to keep abreast of their progress and major challenges. TIP contractors and grantees also attend TIOC meetings by invitation as necessary.

Such a reporting mechanism helped to avert problems in a number of situations early in the life of the program. For instance, documented in GEPC's 1993-1997 strategic plan, activities of TIP contractors and grantees had in a few cases, layered over on-going GEPC activities, creating concern and confusion. One example cited was when TechnoServe was perceived to be duplicating some of GEPC's export production village activities with associations of farmers. Another example occurred when AMEX International was providing short-term technical assistance to small-scale pineapple growers on cold storage technology, while GEPC was providing, simultaneously and unknowingly, the same assistance under a World Bank-financed activity.

It must, however, be noted that the exchange of information between TIMU and the private sector component has followed a one-way path. While copies of the quarterly and annual reports prepared by private sector contractors and grantees have been forwarded to TIMU on a regular basis, no equivalent information on public sector activities has been supplied by TIMU to the private sector participants. Many of the people interviewed noted that a two-way reporting and exchange of information would contribute to better integration of project components.

Lack of coordination between the private and public sector components is also apparent in the areas of export promotion and training. There are currently several active participants directly involved in export promotion under TIP, including GIPC, GEPC, PEF, FAGE, and a number of TIP private contractors and grantees. However, no formal mechanism has been put in place to ensure complementarity and avoid duplication of effort. A similar situation exists in the training area.

### **6.2.4 Coordination Between TIP and Other Projects and Donor Agencies**

There is a strong complementarity between TIP activities and objectives and those of a number of other projects, notably the World Bank-financed PEED Project. There is consensus that PEED, an integral part of the TIP design, has not been responsive to the needs of NTE enterprises. Nevertheless, neither TIMU nor any other TIP-related organization has taken the initiative to investigate how PEED lending terms might be modified to better accommodate NTE enterprises. The Bank of Ghana, on its part, decided instead to establish an alternative scheme — EXIM Guarantee — that would provide similar export and import guarantees, with reportedly no greater success.

### **6.3 CONCLUSION**

TIP is a complex undertaking in terms of both the number of institutions involved and the range of activities carried out. For this reason, it is remarkable that the program has progressed without any major difficulties or disruptions. Nevertheless, interviews with TIP participants indicate that further improvements can be achieved through a concerted effort by all parties toward better communication and coordination.

### **6.4. RECOMMENDATIONS**

It is recommended that a semi-annual review and planning workshop be conducted through the end of TIP. The proposed workshop should be implemented over a two or three day period. Representatives from relevant organizations, including USAID/Ghana, GOG and TIP contractors and grantees, should be invited to review progress and remaining constraints in each program area, evaluate TIP's coordination and communications systems, and develop a detailed plan of action.

Such a collaborative review and planning process would develop a greater sense of ownership and commitment among program participants, a broader shared vision, and increased integration of project components.

It is recommended that the first review and planning workshop be conducted soon after completion of this mid-term evaluation. This workshop would be used to accomplish three objectives: (1) to review program and project implementation in light of this evaluation; (2) to design a strategy to implement the various recommendations contained in the evaluation; and (3) to identify formal mechanisms that would enhance TIP coordination and communication systems.

It is highly recommended that the workshop be conducted by a professional workshop facilitator. The facilitator will: (1) review the TIP mid-term evaluation and other relevant documents; (2) conduct thorough interviews with workshop participants to design workshop procedures and detailed contents; (3) conduct the workshop; and (4) prepare a detailed report on workshop conclusions and outcomes, including a detailed and rigorous schedule of all follow-up actions and implementation procedures.

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**ANNEX A**  
**EVALUATION STATEMENT OF WORK**

by

## **ANNEX A**

### **EVALUATION STATEMENT OF WORK**

#### **INTRODUCTION**

USAID/Ghana has a requirement to conduct the midterm evaluation of the Trade and Investment Program (TIP). The Mission seeks proposals from potential contractors which detail their approach to undertake the evaluation. The contractor shall be responsible for all contract implementation, including but not limited to the proposed personnel and other support.

TIP is an \$80 million initiative designed to address the constraints that limit private sector investments and production for export in Ghana. Authorized September 30, 1992, TIP is comprised of two components: (1) a \$60 million non-project assistance component addressing principal enabling environment constraints to export production and investment; and (2) a \$20 million project assistance component in order to strengthen the principal public and private sector institutions involved in investment and export promotion as well as to provide direct technical assistance to companies engaged in or having the potential to export.

TIP is being implemented by several grantees and contractors: 1) The Africa Project Development Facility (APDF) — developing "bankable" project ideas; 2) Aid-to-Artisans/US/Ghana — developing and marketing handicraft products; 3) Amex International — providing export market development assistance; 4) Foreign Investment Advisory Service (FIAS) — investment promotion assistance to the Ghana Investment Promotion Centre (GIPC); 5) International Executive Service Corps (IESC) — industry specific assistance to export firms and associations; 6) J.S. Addo Consultants — establishment of the Private Enterprise Foundation (PEF); 7) Sigma One Corporation — policy and regulatory framework reformation assistance to the Ministry of Trade and Industry's (MOTI) Trade Policy Unit (TPU) and Trade and Investment Management Unit (TIMU); Customs, Excise and Preventive Service (CEPS); and export promotion assistance to the Ghana Export Promotion Council (GEPC); and 8) Technoserve — assistance to rural producer non-governmental organizations (NGOs). REDSO/WCA's environmental specialist has provided assistance to the Environmental Protection Agency (EPA).

The Contractor shall provide services to the Mission to evaluate the TIP efforts to increase private sector non-traditional exports (NTEs). The primary focus will be on TIP's assistance to 1) improve the enabling environment for export expansion; and 2) improve capacity of assisted firms to export.

The purpose of the contract is to conduct a mid-term evaluation of the Trade and Investment Program (TIP) to assess progress towards the achievement of objectives and to make recommendations to maximize that progress.

USAID's Strategic Objective No. 1 and relevant program outcomes are:

**Strategic Objective 1: Increase private sector non-traditional exports (NTEs).**

**Program Outcome 1.2: Improve enabling environment for export expansion.**

**Program Outcome 1.3: Improve capacity of assisted firms to export.**

## **STATEMENT OF WORK**

### **I. A List of Priority Issues to be Investigated by the Evaluation Team**

The proposed list of issues is divided into three focal points:

- main assumptions of the original program design;
- assessment of major TIP activities;
- and recommendations for future program action. Within each focal point, a number of priority issues are proposed for investigation.

#### **A. Main Premises and Assumptions of the Original Program Design**

- A.1** Are goals, purposes, and end-of-project status as stated still reasonable and practical? In what ways in the original design no longer valid in light of present circumstances?
- A.2** The project design places strong emphasis on policy and regulatory reform. However, at the time TIP was being designed, the role of Parliament in both policy and regulatory reform was less significant than at present. Has the advent of parliamentary democracy facilitated the process or made it more complex and difficult?
- A.3** Has TIP's monitoring and evaluation plan been appropriate to gauge progress in achieving project outputs?
- A.4** Has the lack of a financial component to complement the technical assistance to enterprises and the improvement in the policy framework been a major shortcoming of the project design? To what extent has the World Bank program in the financial sector been successful in providing the necessary financial resources to potential and actual exporters?

#### **B. Assessment of Tip Activities by Component**

- B.1** Has TIP conditionality been effective in assisting the GOG to focus on critical policy constraints limiting the enabling environment for non-traditional export expansion?
- B.2** Which TIP component(s) has (have) contributed most effectively to the growth in non-traditional exports in the past two years? Which component(s) has (have) not performed as expected and what adjustments, if any, will need to be made?
- B.3** Has the approach followed in implementing the technical assistance effort in the private sector component been effective in strengthening the capacity of firms to export, including their increased ability to produce to export market requirements?
- B.4** Ultimately, the success or failure of the TIP program will hinge on whether it can be demonstrated that increases in exports of non-traditional products have contributed to increased employment, and higher incomes and wages for those employed in the sectors targeted by TIP activities. To what extent is such an objective being achieved?

- B.5** Has the lack of a financial component under TIP hindered exporters' ability to obtain adequate financing? To what extent has their inability to obtain credit been a constraint to translating TIP advice into practice?
- B.6** Has the original TIP monitoring and evaluation plan been implemented? If so, does the plan provide the necessary indicators of success or failure relative to program goals and objectives?
- B.7** Has the level of management provided by USAID/Ghana and the GOG (e.g., the Ministry of Finance and Economic Planning; the Ministry of Trade and Industry; Customs, Excise and Preventive Service) been effective and appropriate?

**C. Possible Reorientation of Future Program Actions and Implementation Procedures**

A primary role of the evaluation team will be to investigate those and other issues that may be developed during implementation of the evaluation. However, the intent of the evaluation will not only be to evaluate program design and to assess progress to date against program objectives. Equally important will be the need to use the analysis provided in (A) and (B) above to develop a vision for future program actions, including recommendations for modification of activities and implementation procedures to achieve program objectives.

- C.1** Changes in Ghanaian and World-Market Conditions and Their Influence on TIP. What major changes have occurred in the overall economic environment that might have affected the prospects for success of the TIP program? For example, has the breakdown of the Socialist Block led to less trading and investment opportunities for Ghana and other African countries? Has the signing of the Uruguay Round of the GATT eroded the privileged access that African countries had under the ACP protocols to the Western European market? Has the devaluation of the CFA Franc in January 1994 significantly affected Ghana's competitive advantage vis-a-vis some of its Francophone neighbors? What modifications should be introduced in the implementation of TIP to account for those changes?
- C.2** The TIP program is a complex undertaking in terms of both the number of institutions involved and the range of activities being carried out. Should TIP continue to implement all activities as envisaged, or is it now more desirable to concentrate resources in areas where activities have been more effective?
- C.3** Should more emphasis be placed on the public or private sector components? On policy and regulatory reform or on more directed technical support to private enterprises?
- C.4** Should TIP adjust its monitoring and evaluation criteria to account for changing circumstances?
- C.5** Even though an initial examination concluded that TIP was not expected to have significant direct environmental effects, are there nevertheless environmental concerns (e.g., possible negative impact caused by project-assisted agribusinesses in environmentally fragile regions) which should be investigated?

**Note:**

This list is preliminary and will be completed and/or modified as necessary during the evaluation. For this reason, a crucial early task of the contractor shall be to generate, during its first week in Ghana, a workplan which, *inter alia*, shall further refine the list of priority issues targeted for investigation.

## **II. Procedures and Work Plan**

- A. The team shall review pertinent program and project documents, including but not limited to:**
  - a. Project Assistance Approval Document (PAAD)**
  - b. Technical Assistance Contracts**
  - c. Technical Assistance Team Reports and Work Plans**
  - d. Program and Project Files**
  - e. Other documents, as appropriate.**
- B. The team shall interview pertinent personnel at the central and field level.**
- C. Based upon preliminary research and in close collaboration with USAID/Ghana, the evaluation team shall develop a workplan that includes: (i) a proposed schedule of activities, (ii) a more refined list of priority issues to be investigated, (iii) how the evaluation team proposes to address the key evaluation issues, (iv) how they plan to complete the scope of work. This work plan shall be submitted to USAID for approval no later than one week after arrival in Ghana.**



**ANNEX B**  
**EVALUATION TEAM ITINERARY**

**B-1**

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## **ANNEX B — EVALUATION TEAM ITINERARY**

### **Monday, 26 June 1995**

<b>Morning</b>	<b>Initial visit to USAID Mission for orientation and logistical arrangements.</b>
<b>Afternoon</b>	<b>Document review.</b>

### **Tuesday, 27 June 1995**

<b>0830</b>	<b>Initial visit to Amex International [Gordon Kunde]</b>
<b>1000</b>	<b>Initial visit to the Ministry of Trade and Industry/TIMU and TPU [Mr. Haizel, Dr. Ariza-Nino and Dr. Youngblood].</b>
<b>1300</b>	<b>Lunch with Edgar Ariza-Nino and Kurt Youngblood.</b>
<b>Afternoon</b>	<b>Document review.</b>

### **Wednesday, 28 June 1995**

<b>0830</b>	<b>Working session at USAID Mission [Leland Thomas and William Akiwumi]</b>
<b>1130</b>	<b>TechnoServe [Peter Reiling and Leslie Flagg]</b>
<b>1400</b>	<b>Working session at USAID Mission Director and staff.</b>
<b>1530</b>	<b>International Executive Service Corps [Sandy Tarpinian]</b>
	<b>Document review.</b>

### **Thursday, 29 June 1995**

<b>1000</b>	<b>Working session at USAID Mission [TIP Project Management staff and contractor representatives]</b>
<b>1200</b>	<b>The Africa Project Development Facility</b>
<b>1330</b>	<b>Aid-to-Artisans/Ghana</b>
<b>1500</b>	<b>Ghana Investment Promotion Center [Mr. K. Ahwoi and staff]</b>
<b>1700</b>	<b>Seafreight Pineapple Exporters at Export Shed 9 with Amex International representatives</b>

### **Friday, 30 June 1995**

<b>Morning</b>	<b>Development of Evaluation Team Work Plan and Submission to USAID Project Management Team.</b>
<b>0830</b>	<b>Working session with Steve Haykin and Barbara Dickerson on onitoring and evaluation issues.</b>
<b>1000</b>	<b>Working session with William Akiwumi on environmental issues.</b>
<b>1130</b>	<b>Working session with Amex International on interviews with client firms.</b>
<b>1500</b>	<b>Working session with TIMU Director, TIMU staff and TPU staff.</b>

### **Saturday, 1 July 1995**

<b>0900</b>	<b>Interviews with handicrafts exporter and glass bead producers working with ATAG.</b>
<b>1100</b>	<b>Interview with kola nut exporter working with TechnoServe [Mr. Victor D. Attafua, VICDORIS Pharmaceuticals Limited/Wafad Limited]. Document review.</b>

**Sunday, 2 July 1995**

Free day.

**Monday, 3 July 1995**

Ghanaian holiday.  
Document review.  
2000 Dinner meeting with USAID Environmental Assessment Team [Fritz Gilbert, James Perry and Greg Booth].

**Tuesday, 4 July 1995**

0900 Private Enterprise Foundation [Mr. K. Abcasi, Director]  
Document review and team planning session.

**Wednesday, 5 July 1995**

0830 Attendance at Amex International staff meeting and subsequent working session.  
1000 Customs, Excise and Preventive Services [Mr. O. Opare, Director of Export Division and Director of Duty Drawback Bureau]  
1400 Working session with TechnoServe on TIP operations.  
1500 Meeting with pineapple outgrowers working with TechnoServe.  
1630 Ghana Export Promotion Council [Mr. T. Akyea, Executive Secretary]

**Thursday, 6 July 1995**

0900 Working session with International Executive Service Corps [Mr. Tarpinian and staff].  
1100 Working session with FAGE [Mr. G. Quansah, Executive Secretary, and Mr. J. Ado-Yobo, Vice-President].  
1400 Akuaba Limited [furniture firm].  
1530 PolyKraft (Ghana) Limited [corrugated boxes]

**Friday, 7 July 1995**

0730 Cleveland Thomas, USAID TIP Project Officer  
0900 Unique Furnishings  
1000 Working session with TIMU Director and staff on environment monitoring  
1100 Mankoaakye Fisheries in Tema  
1400 Astek, Inc.  
1700 Visit to Kotoka Airport Cargo Village and Ghana Ports and Harbors Authority.

**Saturday, 8 July 1995**

0830 APDF representative to visit TACKS Farms.

**Sunday, 9 July 1995**

1100 Trip to Kumasi for Greg Sullivan.

**Monday, 10 July 1995**

0800 Working session in Kumasi with AMEX staff — Filip Sokol and James Amponsah — working with timber companies.  
0800 Working session with Ms. Barbara Dickerson, USAID Monitoring and Evaluation Officer.  
0900 Interview at Ribiani Logging and Lumber Company in Kumasi.  
0930 Session with USAID officer charged with monitoring the EMEMP of TIP.  
1100 Interview at A.E. Saoud Company in Kumasi.  
1300 Environmental Protection Agency [Dr. G.A. Manful, Deputy Director for Operations and Mr. Emmanuel M.K. Amekor, TIP/EMEMP Implementation Coordinator].  
1430 Interview with Habitat in Kumasi.  
1800 Interview with Aid-to-Artisans/Ghana — C.K. Darko in Kumasi.  
1800 Mr. Korang-Amoako, Director of Extension Services, Ministry of Agriculture.  
1830 Interview with Maxwell Owusu Timber Company in Kumasi.

**Tuesday, 11 July 1995**

0830 Interview with Specialized Timber Products Limited in Kumasi.  
0900 Meeting with Dr. Acqua, Executive Director of the Environmental Protection Agency.  
1000 Bank of Ghana for discussions on export credit programs, PEED Project, and export/import guarantees.  
1015 Visit to Darko Farms Limited [Mr. S. Darko] in Kumasi.  
1400 Visits with Aid-to-Artisans/Ghana staff to brass and woodworking artisans outside Kumasi.  
1500 Caisse Francaise du Developpement.  
2000 Meeting with IESC staff.

**Wednesday, 12 July 1995**

0900 Visits with Techiman cashew nut producers and TechnoServe staff.  
Visit to farm of Alhaji Hamidu in Wenchi.  
2100 Sullivan returns to Accra.

**Thursday, 13 July 1995**

0830 to 1500 Field visits with Amex International staff to four garment design and production firms — Volta Garments of Ghana; Koti Ansah; Magdanelli Designs, Inc.; and Adzedu of Shapes.  
1500 Visit to AMEX International office to see presentation of the computerized farm management program developed by Matthew Arman.

**Friday, 14 July 1995**

**0800 to 1800**

Field visits with Amex International staff to six fruit and vegetable farms — Forest Resources Industries farm; Integral Farms; Jei River Farms; John Lawrence Farms; UKAYS Tropical Products; and Paradise Farms.

**Saturday, 15 July 1995**

Visit to the offices of Adicopa Farms with the IESC Director.  
Evaluation report writing.

**Sunday, 16 July 1995**

Evaluation report writing.

**Monday, 17 July 1995**

Evaluation report writing.

**Tuesday, 18 July 1995**

**1000**

World Bank representative and staff on export financing programs.

**1200**

Work session with USAID/Ghana staff.

Evaluation report writing.

**Wednesday, 19 July 1995**

Evaluation report writing.

**Thursday, 20 July 1995**

**1530**

Evaluation report writing and editing.

Interview with the Deputy Minister of MOTI

**Friday, 21 July 1995**

**1100**

Visit to IESC office and interview with Adu Arthur, Managing Director of Peewood, Inc.

Completion of the draft report and submission of draft to the USAID Mission for review and comments.

**Saturday, 22 July 1995**

Follow-up interviews and document review as necessary.

**Sunday, 23 July 1995**

Free day.

**Monday, 24 July 1995**

**0900**

Interview with Lucia Quachey, President of the Ghana Association of Womens' Enterprises, and Mary Tweneboa-Kodua, Head of the Accra Chapter of GAWE.

Follow-up interviews and document review as necessary.

**Tuesday, 25 July 1995**

Evaluation de-briefing session with USAID Mission to receive comments.

Report revisions and additions as necessary.

Departure of Evaluation Team member Gregory Sullivan.

**Wednesday, 26 July 1995**

Report revisions and additions as necessary.

Departure of Evaluation Team members Bechir Rassas and John Eriksen.

**Thursday, 27 July 1995**

Arrival of team members in the United States.

**Friday, 28 July 1995 - Friday, 25 August 1995**

Finalization of Evaluation Report in the United States by Evaluation Team members (three work-days for each Evaluation Team member).

Report editing and report production.

**Friday, 25 August 1995**

Final report forwarded to USAID/Ghana via DHL no later than 25 August 1995.

**ANNEX C**  
**LIST OF PERSONS CONTACTED**

## **ANNEX C — LIST OF PERSONS CONTACTED**

### **A. GOVERNMENT OF GHANA**

#### **Ministry of Finance and Economic Planning**

**Emmanuel Darko**                      **International Programs**

#### **Ministry of Trade and Industry**

<b>Dan Abodakpi</b>	<b>Deputy Minister of Trade and co-Chairman of the Trade and Investment Oversight Committee</b>
<b>J.E.B. Haizel</b>	<b>Director, Trade and Investment Management Unit</b>
<b>K. Yahya</b>	<b>Director, Trade Policy Unit</b>
<b>Joseph A. Ollenu</b>	<b>Senior Liaison Officer, Trade and Investment Management Unit, Ministry of Trade and Industry</b>
<b>Allan Padi Adjirackor</b>	<b>Trade Policy Unit</b>
<b>Faith Bediako</b>	<b>Trade Policy Unit</b>
<b>George Fynn</b>	<b>Trade Policy Unit</b>
<b>Patrick Doku</b>	<b>Trade Policy Unit</b>
<b>K. Ntira Donkoh</b>	<b>Trade Policy Unit</b>

#### **Ministry of Agriculture**

**Mr. Korang-Amoako**                      **Director of Agricultural Extension Services**

#### **Ghana Export Promotion Council**

<b>Tawiah Akyea</b>	<b>Executive Secretary</b>
<b>N.T. Apotsi</b>	<b>Deputy Chief Executive</b>
<b>Daniel Kwagbenu</b>	<b>Director for General Promotion</b>
<b>Constance N. Duacce</b>	<b>Director of General Information Division</b>
<b>Kofi Kwakye</b>	<b>Director of Finance and Administration</b>

#### **Ghana Investments Promotion Centre**

<b>Kwesi Ahwoi</b>	<b>Chief Executive</b>
<b>N.T. Apotsi</b>	<b>Deputy Chief Executive</b>
<b>Veronica Ago Obiri</b>	<b>Director of Finance and Administration Division</b>
<b>Cletus J. Kosiba</b>	

#### **Customs, Excise and Preventive Service**

**Ohene Opere**                      **Assistant Commissioner**



**Bank of Ghana**

<b>James Kingsley Addai</b>	<b>Export Finance Office (PEED Project)/Development Finance Department</b>
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**Environment Protection Council**

<b>Dr. Peter C. Acquah</b>	<b>Executive Director</b>
<b>G.A. Manful</b>	<b>Deputy Director/Operations</b>
<b>Okyeame Ampadu-Agyei</b>	<b>Deputy Director/Intersectoral Networks</b>
<b>E.M.K. Amekor</b>	<b>Coordinator of TIP/EMEMP and Head of the OIC Environmental Quality Monitoring Unit</b>

**B. REPRESENTATIVES OF PRIVATE SECTOR ENTERPRISES**

**Federation of Associations of Ghanaian Exporters [FAGE]**

<b>Gaddiel D. Quansah</b>	<b>Executive Secretary</b>
<b>John Dogbe</b>	<b>Marketing/Research Officer</b>
<b>Augustine Adongo</b>	<b>Administrative/Service Officer</b>
<b>Joe Addo-Yobo</b>	<b>Vice-President, former President of the Horticultural Association of Ghana (HAG), and Owner of Adicopa Farms</b>

**Private Enterprise Federation [PEF]**

<b>Kwasi Abeasi</b>	<b>Director General</b>
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**Ghana Association of Womens' Enterprises**

<b>Lucia Quachey</b>	<b>President</b>
<b>Mary Tweneboa-Kodua</b>	<b>Head of Accra Chapter</b>

**Wafad Limited and VICDORIS Pharmaceuticals Limited**

<b>Victor D. Attafua</b>	<b>Director</b>
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**TACKS Farms**

<b>Mr. and Mrs. S.N. Tackie</b>	<b>Owner/Managers</b>
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**Astek Fruit Processing Ltd. and Astek Water Company Ltd.**

<b>Albert A. Owusu</b>	<b>Executive Director</b>
<b>David Watson</b>	<b>Factory Manager</b>
<b>Ernest Boadu</b>	<b>Assistant Factory Manager</b>

### **Integral (GH) Limited**

Gerald Guice	Owner
Kwaben Larbie	Farm Manager
Forest Resources Industries Limited (Camsi Farms)	

K.B. Nyantekyi-Owusu	Commercial Manager
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### **Jei River Farms Limited**

Christian Obu	Farm Manager
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### **John Lawrence Farms Limited**

John K. Opoku-Acquah	Managing Director
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### **UKAYS Tropical Products**

Ekow Hackman	Managing Director
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### **Paradise Farms**

George Kpoye	Co-owner
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### **Darko Farms**

Sam Darko	Owner
Alex Simmons	

### **Alhaji Hamidu Farm**

Alhaji Hamidu	Owner
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### **Techiman Cashew Farmers Group**

10 farmers visited

### **Representatives of Pineapple Outgrowers**

Douglas Gameti	Fotobi Cooperative
William Osae	Fotobi Cooperative
Edward N. Adjei	Financial Secretary/Adomea Cooperative
Ben A. Okai	Secretary/Sandam/Odumase Cooperative
Thomas T. Adje	Financial Secretary/Sandam/Odumase Cooperative
Edward Asante	Secretary/Obosadaka Cooperative
E.O. Amadi-Atta	Financial Secretary/Obosadaka Cooperative
Anthony Bokmuay	Secretary/Achonteng Cooperative

### **Handicrafts Producers/Exporters**

Ebenzer Ajuba	Glass Bead Manufacturer
Humphrey Duberdi	Glass Bead Manufacturer

### **Volta Garment Limited**

Lam Chu Kwok	Factory Manager
Fiona Shar	Assistant to the Factory Manager

### **MagDanielli Designs Limited**

Margaret Ofori-Atta	Managing Director
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### **Adzedu of Shapes**

Interviewed the Shop Manager

### **Art Dress**

Kofi Ansah	Owner/Designer
Nicola Ansah	Owner/Shop Manager

### **Bibiani Logging and Lumber Company**

Mr. Brobbey	Vice-Chairman
Frank Tawiah	Financial Director

### **A.E. Saoud Company**

Pierre Bitar	Technical Director
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### **Habitat**

Nadim Bitar	Consultant to the Board of Directors
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### **Maxwell Owusu Timber Company**

Maxwell Owusu	Owner/Director
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### **Specialized Timber Products Limited**

Ben Dapaah	Director
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## **C. INSTITUTIONAL CONTRACTORS AND GRANTEES**

### **Sigma One Corporation**

Edgar Ariza-Nino	Chief of Party
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Curtis E. Youngblood      Economist

**AMEX International, Inc.**

Gordon Kunde	Chief of Party
Matthew Armah	Associate Manager
Kojo Menka	Administrative Officer
Grace Otoo-Kwadey	Information Specialist
Chris Mensah	Agribusiness Specialist
Gustav Adu	Wood Products Specialist
John Azu	Agricultural Specialist
Joshua Glover-Tay	Export Specialist
Emmanuel Sam	Export Specialist
K. Amofo-Yeboah	
Filip Sokol	
James Amponsah	

**International Executive Service Corps**

Edward Tarpinian	Country Director
Sandy Tarpinian	Acting Country Director
Julia Kwakye	Project Manager
Ebenezer Aryee	Project Manager Corps
Warren Powers	Volunteer Executive/working with FAGE

**TechnoServe, Inc.**

Peter A. Reiling	Country Director
Leslie Flagg	Project Manager/Non-Traditional Exports
John Addaquay	Deputy Project Manager/Non-Traditional Exports
Andrew Odonkor	Horticultural Advisor
O. Chiney	Project Accountant

**Africa Project Development Facility**

Tom Davenport	Investment Officer
Henri E. Rabarijohn	Investment Officer
Francis Tandoh	Investment Officer

**Aid to Artisans/Ghana**

Bridget Kyerematen	Executive Director
Edwin Ofofi Ahinakwah	Field Director
C.K. Darko	

**D. UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT  
MISSION/GHANA**

Barbara Sandoval	Director
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Steve Haykin	Program Officer
Barbara Dickerson	Program Economist
Jeffrey Lee	Monitoring and Evaluation Officer
Cleveland Thomas	Project Officer
William A. Akiwumi	Project Officer
Hetty A. Quarshie	Agricultural Economist
	Administrative Assistant

## **E. OTHER CONSULTANTS AND SPECIALISTS**

### **USAID Environmental Assessment Team**

Frederick E. Gilbert	Team Leader
James A. Perry	Natural Resources Specialist
Greg A. Booth	Natural Resources Specialist

### **St. Francis Xavier University**

Joe Amoako Tuffour	Department of Economics, St. Francis Xavier University, Nova Scotia, Canada
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### **Management Systems International/Implementing Policy Change Project**

Bill Guyton	Senior Associate
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## **F. REPRESENTATIVES OF DONOR AGENCIES AND PROJECTS**

### **Caisse Francaise du Developpement**

Valérie Driot